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Legislative Assembly of Ontario

Third Session, 35th Parliament

Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 29 April 1993

Journal des débats (Hansard)

Jeudi 29 avril 1993

Standing committee on
general government

Organization

Comité permanent des
affaires gouvernementales

Organisation



Chair: Michael A. Brown
Clerk: Franco Carrozza

Président : Michael A. Brown
Greffier : Franco Carrozza



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LEGISLATIVE ASSEMBLY OF ONTARIO

G-1

STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 29 April 1993

The committee met at 1003 in room 151.

ELECTION OF CHAIR

Clerk of the Committee (Mr Franco Carrozza): Good morning. My name is Franco Carrozza. I am your clerk and I shall be conducting the election of the Chair. We have a quorum, both in numbers and in parties. I will open the floor for nominations.

Mr Hans Daigeler (Nepean): I nominate Mr Brown.

Mr George Mammoliti (Yorkview): I second that.

Clerk of the Committee: It's not required, but thank you. Are there any other nominations?

Mr Derek Fletcher (Guelph): I move that nominations be closed.

Clerk of the Committee: There being no other nominations, I shall ask Mr Brown to take the Chair as elected Chairman of the committee.

Mr Daigeler: It was a lot easier than at the other committee, eh?

Mr Mark Morrow (Wentworth East): Congratulations, Mike.

The Chair (Mr Michael A. Brown): Thank you.

Mr George Dadamo (Windsor-Sandwich): Do good.

Interjection: That was a tough election.

The Chair: I need more elections of that great difficulty.

I'd like to welcome all the members. Some of the faces are fairly familiar on this committee over the past couple of years. We have some new faces and I welcome them.

ELECTION OF VICE-CHAIR

The Chair: The first thing I should be doing is the election of the Vice-Chair. Do I have nominations for the position of Vice-Chair?

Mr Ted Arnott (Wellington): I wish to nominate Mr Daigeler for the position of Vice-Chair.

The Chair: Mr Daigeler has been nominated for the position of Vice-Chair. Are there further nominations? Seeing none, congratulations, Mr Daigeler.

Mr Daigeler: Thank you.

APPOINTMENT OF SUBCOMMITTEE

The Chair: The next thing we need is a motion to establish a subcommittee of this committee for conducting committee business.

Mr Morrow: I'll give you that motion.

The Chair: All right. Let's hear the motion.

Mr Morrow: I would like to put a motion forward

to establish a subcommittee of general government.

The Chair: We need the names of the people from each party who would be—

Mr Morrow: You didn't tell me that. I mean, come on. You just asked for a motion to establish a subcommittee.

The Chair: Perhaps we could help. The whips of each party would be whom? Mr Mammoliti? Mr Daigeler?

Mr Daigeler: Can we say the whips rather than any particular person?

Clerk of the Committee: They can always be substituted.

The Chair: Why don't we put down your name for the time being and we'll sort out who that might be, because substitutions are permitted.

Mr Daigeler: Seeing that we've had a change in the whip last night.

Clerk of the Committee: And Mr Arnott?

The Chair: And Mr Arnott.

Clerk of the Committee: And the Chair.

The Chair: And myself.

Would you like to read the proper motion that Mr Morrow made?

Clerk of the Committee: Mr Morrow moved that Mr Mammoliti, Mr Daigeler, Mr Arnott and Mr Brown do compose the business subcommittee; that the said business subcommittee meet from time to time at the call of the Chair to consider and report to the committee on the business of the committee; that substitution be permitted on the business subcommittee; and that the presence of all members of the business subcommittee is necessary to constitute a meeting.

The Chair: Is the motion carried? Carried.

The next item of business is to establish a subcommittee on committee business to consider matters that might be designated by standing order 125. There is a difference here, of course, because the subcommittee report does come to the committee.

Mr Daigeler: I move that the previous subcommittee serve as this subcommittee.

Clerk of the Committee: The same individuals? That's fine.

The Chair: That's fine. Would that motion carry? Carried.

COMMITTEE BUDGET

The Chair: Could I have a motion to direct the

clerk to prepare a budget for this committee?

Mr Paul Wessenger (Simcoe Centre): I'll move that.

Mr Daigeler: Within the overall fiscal policies.

Clerk of the Committee: Yes.

The Chair: Thank you, Mr Daigeler. Shall Mr Wessenger's motion carry? Carried.

COMMITTEE BUSINESS

The Chair: With that, I would inform the committee there is only one piece of business before the committee at this time, and that is the disposition of standing order 125 with regard to cross-border shopping. I guess that will be the subject of the subcommittee on 125s, to determine how that shall proceed. I shall call a meeting at a later date to determine that.

We have before us at the present time no government business.

Mr Arnott: Mr Chairman, can I just ask a question? Which party suggested that cross-border shopping designation?

Clerk of the Committee: It's right on your package. It's the last item in the package.

The Chair: Just to be helpful. It was Mrs O'Neill from the Liberal Party.

Mr Arnott: Thank you.

The Chair: Is there anything further? If not, the committee will be adjourned to the call of the Chair.

The committee adjourned at 1008.

THE HISTORY OF THE CITY OF BOSTON

The history of the city of Boston is a subject of great interest and importance. It is a city of many centuries, and its history is full of interest and importance. The city was founded in 1630, and has since that time been a center of commerce and industry. It has been a city of many firsts, and its history is full of interest and importance. The city was founded in 1630, and has since that time been a center of commerce and industry. It has been a city of many firsts, and its history is full of interest and importance.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

***Chair / Président:** Brown, Michael A. (Algoma-Manitoulin L)

***Vice-Chair / Vice-Président:** Daigeler, Hans (Nepean L)

*Arnott, Ted (Wellington PC)

*Dadamo, George (Windsor-Sandwich ND)

Fletcher, Derek (Guelph ND)

Johnson, Dave (Don Mills PC)

*Mammoliti, George (Yorkview ND)

*Morrow, Mark (Wentworth East/-Est ND)

Sola, John (Mississauga East/-Est L)

Sorbara, Gregory S. (York Centre L)

*Wessenger, Paul (Simcoe Centre ND)

White, Drummond (Durham Centre ND)

*In attendance / présents

Substitutions present/ Membres remplaçants présents:

Curling, Alvin (Scarborough North/-Nord L) for Mr Sola

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Luski, Lorraine, research officer, Legislative Research Service

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Coat of arms

A new coat of arms appears on the cover of Hansard. Presented to the Legislative Assembly of Ontario by the Governor General on 26 April 1993, it emphasizes the distinctive character of the Assembly and distinguishes the Assembly's identity from that of the government. It was created at this time to mark the bicentennial of the First Parliament of Upper Canada and the centennial of the present Legislative Building. Further information may be obtained by calling 416-325-7500.

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Les Armoiries

Les nouvelles armoiries paraissent sur la couverture du Journal des débats. Présentées à l'Assemblée législative de l'Ontario par le gouverneur général le 26 avril 1993, elles soulignent le caractère distinct de l'Assemblée et mettent en valeur l'identité de l'Assemblée par rapport au gouvernement. Les armoiries ont été créées en ce moment pour marquer le bicentenaire du premier parlement du Haut-Canada et le centenaire du présent Édifice de l'Assemblée législative. De plus amples renseignements sont disponibles en composant le 416-325-7500.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 3 June 1993

The committee met at 1010 in room 228.

SUBCOMMITTEE REPORT

The Chair (Mr Mike Brown): The standing committee on general government will come to order.

The first business of today is to adopt a report of the subcommittee. I believe all members have a copy of the report of the subcommittee. I would like to point out, though, that there's a typo that makes some significant difference.

Under number 3 on the subcommittee you will notice that it says, "That the committee invite witnesses to appear before the committee on Thursday 24 June 1993 at —" it should be 10, not 3:30.

Mr George Mammoliti (Yorkview): You're amending certain—

The Chair: We're not amending.

Mr Mammoliti: I'm sorry, there's a typo.

The Chair: This is just a mistake as to what was agreed to yesterday. We'll have discussion on this as soon as members are satisfied that the actual subcommittee report says what was agreed to at the subcommittee.

Mr Drummond White (Durham Centre): What's that again?

The Chair: Mr White, under number 3, second line, it says "3:30." It should be 10 o'clock.

Mr Mammoliti: During the subcommittee meeting yesterday, we agreed to the items that are before us, of course with the understanding that I would come back to my colleagues and find out whether or not this would be acceptable, not only to them, but I had some concerns about the ministry and the minister as well and whether or not the minister could make it and whether or not the ministry might have a problem with these dates and times.

There are a number of suggestions I'd like to make here in terms of amending this. I don't think it's going to be a problem. It means that we're going to have to condense a lot of this. We also talked yesterday about the possibility of other bills coming in front of the committee. Simcoe is going to take up a lot of our time apparently. We need to get this out of the way as quickly as possible, to be quite honest.

For that reason, I'm going to ask the committee to work a little harder perhaps over a shorter amount of time, to try and get the deputants out of the way and get on to other important items that we might want to be doing this summer.

The amendments would include the switching of the

ministry briefing with the minister on the 17th, so that the ministry would give us our briefing in the morning as opposed to the afternoon and the minister would come in the afternoon, because he can't make it in the morning. That's the first amendment. The second amendment would include an extra sitting that night from 7 o'clock to 10 o'clock.

Mr Bernard Grandmaître (Ottawa East): On the 24th?

Mr Mammoliti: On the 17th. I think all members realize that we need to get agreement from all three House leaders and bring it into the Legislature as well. From what I can understand, they're going to be talking about that this morning, whether or not they're prepared to do it. My understanding is that they are prepared to do it. For that reason, we're asking for these amendments.

On June 24, we originally talked about sitting in the morning and not sitting in the afternoon, because we said that there would be some bell-ringing and it would interrupt in the afternoon. So we agreed on the morning. The amendment I bring forward to the committee today would include the afternoon, because after some discussion with the ministry and with some of the key people on our particular side of the table, we have found that the bells probably won't ring that day and that we want to—

Mr Grandmaître: Is that a guarantee?

Mr Mammoliti: Well, I think if you talk to your House leaders, you'll know that they're going to be discussing this this morning as well, and we would like to include the afternoon. If a problem does occur with this for some reason or another, we can come back and amend it again, but at present our understanding is that the bells aren't going to ring and that it's going to be extended. So we would include our amendments to be the afternoon as well, and again at night, so 7 to 10 o'clock at night on the 24th as well, with the understanding of course that this as well has to be approved in the Legislature. These amendments need to be approved as well in the Legislature.

July 1 it's not possible to sit. This was not a part of our agreement. July 1 is a holiday, and that takes out a day for us in terms of what other days could be available for clause-by-clause. The 10th, of course, of June was not possible because it's the Conservatives' convention and there's a problem with that. So there are already two days which we could have utilized to use up for clause-by-clause, but because of those two days we couldn't do it in June and the first day of July. For

that reason, another amendment would include July 8, a full-day sitting for clause-by-clause, and July 15 clause-by-clause. The two days that we'd actually agreed on yesterday we now have dates for, so they'd be July 8 and 15.

The changes—

Mr Hans Daigeler (Nepean): On a point of order, Mr Chair: Perhaps you could clarify for me, but really I think what seems to be happening here is the work of the subcommittee, and obviously there's no report yet. Unless we have a report from the subcommittee which is in front of us, perhaps the subcommittee should meet again and figure this out, because—

Interjections.

The Chair: Order. The subcommittee met yesterday afternoon. People have just had the opportunity of looking at the report of the subcommittee. It's probably more proper that I would have had someone move the report of the subcommittee before Mr Mammoliti started to discuss what amendments he would like to make to the subcommittee, but other than that I think this is the way to proceed. At the subcommittee, people understood, I think, when they left that meeting, that there was going to have to be some checking with their various caucuses and ministries to see if what was chatted about—

Mr Daigeler: This is obviously more than checking. I mean, this is a totally different report.

The Chair: Well, maybe, Mr Mammoliti, you would like to move the adoption or somebody would like to move the adoption of the subcommittee report so that we have something actually on the floor to discuss and then we can move with the amendments.

Mr Grandmaître: So moved.

The Chair: Mr Grandmaître moves the adoption of the subcommittee report. Mr Mammoliti, you can continue.

Mr Mammoliti: All right. To clarify this, this is not an intent to pose problems to the committee or try and pull a fast one on you. This is merely an attempt to free up some more time that we might need for the Simcoe issue this summer. My understanding is that this is going to come to the committee, and we may want to travel on it, and we're going to need some extra time. For that reason, and yesterday we had this discussion, we need to condense this particular slot and try and move it as quickly as possible to leave room for things like Simcoe. That's the only reason. There's no other reason.

Interjection: Could you move your amendment?

Mr Mammoliti: I spoke of the amendments. I'd like to move the amendments, Mr Chair.

The Chair: Would you have a copy of those amendments?

Mr Mammoliti: Yes, I do, actually.

The Chair: You have a copy, Mr Mammoliti?

Mr Mammoliti: Yes.

1020

The Chair: Would you like to read those in for us just so that we are all sure what we're discussing before we discuss them?

Mr Mammoliti: You want me to read them again? Okay. I move the following amendments, Mr Chairman:

On June 17 we would meet with the ministry, which would be followed by the critic's response in the morning. That's the first amendment.

The second amendment would be that the minister meet with us in the afternoon, as opposed to the morning.

The third amendment would be a late sitting between 7 o'clock and 10 o'clock, at which time we can hear from witnesses.

On the 24th, the amendment would be to sit in the afternoon and to hear from witnesses the full afternoon.

Clerk of the Committee (Mr Franco Carrozza): And the morning?

Mr Mammoliti: The morning is not an amendment because we agreed to that already.

The next amendment would be another late sitting from 7 to 10 pm, which would include witnesses.

We then move another amendment for July 8 to be a full day of clause-by-clause. Currently, our proposal doesn't include a date.

July 15 would also be a full day of clause-by-clause.

I move these amendments, Mr Chairman.

The Chair: Mr Grandmaître, discussion?

Mr Grandmaître: Mr Mammoliti is assuming that the three House leaders have approved this. Maybe the government House leader has approved this, but I would like to have the assurance of my own House leader that this is acceptable. After our meeting of yesterday afternoon I gave my House leaders the result of our meeting, which seemed to be acceptable. But now the government whip is not baffling us but is really changing the approved schedule. I'm very concerned that I don't know what my House leader will do with these dates.

I thought it was understood yesterday that the afternoon of June 24 would be out of the question, and this morning again it's on the floor to be debated. We all know that in the afternoon of June 24 we can expect bells to ring and it'll be a waste of time. Before I accept any amendments, I would like to talk to my House leader.

Mr David Johnson (Don Mills): I guess I could say the same thing. I have no experience in these matters, of course, so even more than my friend I would really like

to consult with the House leader.

The other thing that strikes me is that the deputations are now mostly in the evening. I don't know if that's a problem or not but the way this—

Mr Mammoliti: Actually, Mr Chair—

Mr David Johnson: I don't know who's got the floor here, Mr Chairman, but if I've still got the floor, the way this works out now is that we have the Association of Municipalities of Ontario and the Ontario Waste Management Association coming in on the 24th and we have an evening of deputations a week before that, on June 17.

I thought that part of the strategy was to have AMO and OWMA as witnesses up front because they're umbrella organizations. Now I don't know if the strategy is to move them to the evening of June 17 or to have them stay on the 24th, invite the municipalities to come in on the evening. The municipalities or other interested parties—some parties may appreciate the evening. Other parties may find a problem with the evening.

It seems to me that a good chunk, perhaps 50% of the deputation time, is now in the evenings. I don't know if that's been the practice here or not, but I personally have a doubt about whether that's reasonable and I really wouldn't be able to support that here today, plus the fact that we've actually lost half a day of witness time through this proposal.

Mr Mammoliti: Two hours.

Mr David Johnson: That's a half a day. That's the way it works around here. It's less time than we agreed to yesterday and it's a different part of the day, in the evening. Those are certainly problems that I have with it.

Mr Daigeler: Somewhat following up my earlier point, I think this matter obviously is not ready to come to the full committee yet. I think the subcommittee will have to meet again and figure this out, because this is obviously very different from what was agreed to yesterday.

Just to either help or give my own view to the subcommittee, I am strongly opposed to the idea of meeting in July. Traditionally, July has been when we have booked our holidays; I have done so. I think this sets a very bad precedent and I would certainly hope that we're not scheduling any committee meetings in July.

Mr Mammoliti: The member across would know that there's a process for those who might not be able to make it for hearings. You could always get somebody to take your place. I'm sure that your caucus would be willing to find somebody to take your place. We do that all the time and so do you. If you're going on vacation, while I envy you, I could also say that committee work is very important and the Simcoe issue is certainly very

important. I think we could probably be ready to sit in the summer on a particular issue.

If the issue does come up, I understand that it's very important to all three parties. If that means we need to sit and make time to be able to debate that issue and hear from deputants in different cities across the province on the issue, then that's a debate and a discussion that'll take place later, but at the same time very important. I would remind the member, again, that while I envy him while he'll be on vacation at the time, he can probably get somebody to take his place.

Secondly, we had discussed this yesterday in the subcommittee in terms of sitting a couple of days in July and it wasn't a problem with other subcommittee members to sit a couple of days, actually a week, in July. We've asked for a week to sit in July. This is cutting it down. It's cutting it down from 12 days to 2.

The Chair: To help you a little bit, Mr Mammoliti, the discussion at subcommittee, to clarify it, was that the committee asked for a week in the intersession, not necessarily July.

Mr Mammoliti: If you remember correctly, in the subcommittee I had said that I'd want to deal with this and we'd want to deal with this as quickly as possible and that we'd be looking for dates in early July to be able to get rid of this. I did mention that in subcommittee. This is now taking and getting rid of three days in the summer break and condensing that to two. At the same time, I understand the argument of the member across that it cuts the deputants' time and we don't get to hear from two hours' worth of deputants. I recognize that and I realize that, but at the same time, in subcommittee yesterday I said that we're going to have to look at perhaps cutting the list short after my discussions with the ministry, if there was a problem. There is a problem and I bring it to you in good faith today and I tell you that it's not malice; it's something that we feel strongly about. We want to get this on and get it off the table as quickly as possible so that we can deal with other bills.

If we have a concern about House leaders, I have been assured that the House leaders are talking about it this morning. If the committee feels that it needs to talk to somebody, perhaps we should move to another item on the agenda this morning so that it perhaps frees some time up for a couple of people from the opposition to go and speak to their House leaders and come back. We may want to drop this issue at this particular time, deal with another issue, and then come back with it after, perhaps, a couple of people have gone to speak to their House leaders to verify whether or not their House leaders would agree with this proposal.

1030

I don't see the purpose of us sitting here and debating this for two hours. I don't think it's that much of a big deal, and if it's just because you don't have an oppor-

tunity to speak to your House leaders, go and speak to your House leaders and we can deal with another item right now while you're out and dealing with them. Or perhaps we can take 10 minutes for you to go and speak to your House leaders, so that gives us an indication how you stand on this. There's no sense in us sitting here and calling for the vote on a question and hammering you over the head with this. We want to be realistic and accommodating as best we can. So maybe we'll give you that time to go and speak to your House leaders.

Mr Grandmaître: Mr Chair, it seems like the member of the government side is now putting the blame on the opposition: We haven't talked to our House leaders. We've spoken to our House leaders—well, I've spoken to mine, anyway—with the proposed schedule that's in front of us this morning, and now Mr Mammoliti is before us this morning. I thought our responsibility or our duty this morning was to accept the proposal of the government of yesterday, and this morning it's a totally different schedule. I'm not willing to debate it for hours and hours. I think he's absolutely right and I think we should adjourn and go back to our respective House leaders and have another meeting of the subcommittee.

I move adjournment.

Mr David Johnson: Maybe before we do—that's certainly fine. I'd appreciate the opportunity to speak to my House leader and see what's going to happen on June 24. All we're hearing here is rumours. People over here are saying that's so, but I think I really owe it to my House leader to talk to him to see if that's the information he has.

The other thing I find a little bit puzzling—and I don't know what the approach has been here—certainly from my background, people want to make deputations. That's what I've always been elected to be there to hear, not to try to figure out how to restrict them or cut them back or limit them or take the first number who come in and say, "Sorry, we don't have time for the rest." The approach that I've always taken in the past and that I think most municipalities take is you try to accommodate everybody and allow enough time for everybody who's interested to be able to make a deputation.

Is there a different approach here? Because what I'm hearing is that we really should make them speak faster or speak shorter or cram them into the evening or something like that. Is that the way we have to operate here? I don't know; I'm asking. It just seems to me to be the wrong approach.

The Chair: The good thing about being the Chair is you don't have to answer the questions.

Mr David Johnson: I'm seeking your guidance on this one, Mr Chair, or perhaps to the clerk or whoever.

But it seems to me we've got the cart before the horse here somehow.

The Chair: I actually had Mr Mammoliti on before you, Mr Hayes, but if you wish to trade, that's—

Mr Mammoliti: Very quickly, to give a chance for Mr Hayes to respond, I think that we need to realize—even though I've been here a short time as well, I've come to realize that night sittings are actually more accommodating for deputants. A lot of them work during the day and can't make it. So while there might be some who feel more comfortable coming during the day, the majority of them, if given the opportunity, will tell you that the night sittings would be their preference. I'm not worried about that particular argument, because I know that will be the outcome if we ask them.

Mr Pat Hayes (Essex-Kent): I think what Mr Mammoliti is doing here is trying to express the concerns that we do have. I think we do have a very full plate to deal with, and if you take a look at this schedule, I could easily say, well, I don't like it myself, personally. But I do know that we do have a lot of work to do, and as far as rushing people and trying to press them to be quicker or give them less time, that's certainly not the purpose here at all. From what Mr Mammoliti is saying here, there are some people, including the minister—and I think you people know that the ministers always just can't change their schedule for committee; I know Mr Grandmaître can relate to that. What we're trying to do here is try to meet the challenge we have with all of the work that we have to do.

I think Mr Mammoliti has made a very good suggestion, that if there is concern here with the House leaders, take a few minutes and go and speak to your House leaders. I don't see any problem with that at all. I think it's a reasonable request that we are making here today.

The Chair: Before we proceed, I think I should bring to members' attention standing order 118(a):

"Standing and select committees may be authorized by the House to meet on Monday evenings to hear submissions from the public, provided that the motion authorizing a committee to meet is made at the unanimous request of the committee and with the agreement of the House leader of each of the recognized parties in the House."

So the standing orders, to my reading of this, permit us to sit Monday evenings.

Mr Grandmaître: How about July 8 and 15?

Clerk of the Committee: They're all Thursdays: June 17, June 24, July 8.

Mr Mammoliti: Is that the only thing that's stopping us here, the fact that we haven't talked to the House leaders? Is that the actual issue here? If your House leaders were to say to you, "I don't have a

problem with this," would you have a problem with it?

Mr David Johnson: As I understand, Mr Chair, what you've just read there—which was what?

The Chair: Standing order 118(a).

Mr David Johnson: The standing order doesn't permit June 17 or June 24, with the consent of House leaders or anybody. It simply doesn't permit a meeting on those evenings. Is that correct?

The Chair: I think we're in a quandary here. My sense, Mr Johnson and Mr Grandmaître and Mr Mammoliti, is that the committee is attempting to do the work. They have just seen Mr Mammoliti's proposal. None of the parties have had the opportunity to talk about it and see if it can be accommodated, even though I see goodwill here to accommodate the work of the committee.

Several members have suggested an adjournment. I don't think that's a terribly bad idea. Perhaps though we could move forward from this item, deal with the budget and the advertising, which again also impacts on this.

Mr Mammoliti: Would it be too much to perhaps ask whether we could pass this tentatively, or whether that's possible, until the House leaders agree or disagree? Could we pass this tentatively until they have their meeting? And if they agree, then we know that it's a go.

The Chair: I would have difficulty entertaining at least some of the motion as the Chair, because it contravenes the standing orders. Because it contravenes the standing orders, as the Chair I wouldn't be able to accept that.

As you know, in this place, all things are possible with unanimous consent. So if there is agreement among all parties and all members, then we may be able to do something that would accommodate you, but at this point I can't violate the standing orders of the House.

Mr Mammoliti: To accommodate the problem that's just arisen then, could I change my amendment from July 8 and July 15 to July 5 and July 12? That's Monday nights.

Mr David Johnson: That doesn't address the standing order.

Mr Mammoliti: Sure it does.

Clerk of the Committee: That doesn't address the 17th and the 24th. That's the problem.

Mr Mammoliti: The 17th and the 24th is the problem?

Clerk of the Committee: That's right, because July 8 and July 15, under the calendar as it stands now, the Legislature is not meeting.

Mr Mammoliti: But if the House leaders agree to have the committee sit between 7 and 10, then it doesn't contravene the standing orders. The House leaders have

the power to agree to that. I'm saying maybe we should agree to this tentatively until the House leaders speak later on this morning.

The Chair: You should understand, if you read this section closely, that it says "provided that the motion authorizing a committee to meet is made at the unanimous request of the committee and with the agreement of the House leader of each of the recognized parties." So we're talking about unanimous agreement here in this committee and we're talking about unanimous agreement of the House leaders.

The second problem, as the clerk points out, is that your motion speaks to time that will not be within this session of the House. We could obviously meet Monday nights or any nights that the committee decides to meet and has approval of the House leaders during the intersession. That wouldn't be a problem. What is a problem with scheduling days is if the House were in session, which it may be, but that's not anything that the Chair is privy to or that any member of this committee knows at this moment is going to happen.

My suggestion is that maybe we should adjourn or recess and some members should chat with the appropriate people.

Mr Mammoliti: I think there's a little more argument that should be given to not adjourning. I think we should come up with some sort of a resolution here. I don't think we're here to try and ram something down your throat. We're trying to get something—if I may, I've got to speak in the Legislature and I want to step out. Mr Mills will be taking my spot and he can continue the debate. I know he is very familiar with the arguments.

Mr Grandmaître: Do you have any other dates, Gord?

The Chair: Mr Hayes?

Mr Gordon Mills (Durham East): What's the problem here?

Mr Hayes: I know there's a concern about the standing orders, but we'd be willing to look at the different dates just to accommodate so it would be the Monday evenings. I'll ask the members opposite, if they want to talk to the House leaders, to look at the 21st and the 28th for night sittings. Those are Monday evenings.

The Chair: The 28th, though, is not in the session.

Mr Hayes: The 21st and the 28th.

The Chair: I think the session adjourns on the 24th.

Mr Mills: The 24th is the last day.

Mr Hayes: I have no problem sitting ahead of the recess.

The Chair: But we're restricted by the standing orders.

Mr Mills: We can get a jump on it.

The Chair: I'm just trying to follow the rules here; it's the Chair's job.

Mr Hayes: That being the case, we can accommodate the members on the 28th, at least, that one.

Clerk of the Committee: The Legislature is not sitting on the 28th.

Mr Mills: We've got to do it all before the 24th.

Mr Grandmaître: Then on the 28th, we are not supposed to be sitting.

The Chair: If we were requesting for the 28th, the Chair would suggest we would have to ask for a motion of the House to sit in the intersession on the evening of the 28th. We're in a rather strange dilemma according to standing orders and according to the way this place is ordered. I think the subcommittee needs another at least brief crack at this so that whatever is being proposed at least conforms to what the standing orders of the Legislature permit.

Mr David Johnson: How will that work? If the subcommittee meets, when would you see the subcommittee meeting on it?

The Chair: I was suggesting maybe in a recess that we might have; almost immediately.

Mr David Johnson: Then when would it report back?

Clerk of the Committee: Immediately.

The Chair: Almost immediately.

Mr David Johnson: That's fine with me.

The Chair: Would someone like to make a motion we adjourn?

Mr David Johnson: Moved that we recess and request the subcommittee to meet on this matter and report back as soon as possible.

The Chair: All in favour?

Mr Grandmaître: Before we recess, how about July 5 and—

Interjection: —July 12.

Mr Grandmaître: The 12th, right? That's your latest offer? Okay, and that's still outside the—okay.

The Chair: Mr Johnson has moved a recess. Do you want to put a time on that, Mr Johnson, till 11:15 or 11:30?

Mr David Johnson: What time is it now?

Interjection: Quarter to 11.

The Chair: Maybe 11:30.

Mr David Johnson: Till 11:30.

The Chair: All in favour of Mr Johnson's motion to recess?

Mr Hayes: Till 11:15?

Mr David Johnson: No, 11:30.

The Chair: Carried. The committee's in recess.

The committee recessed at 1045 and resumed at 1126.

The Chair: Mr Mammoliti?

Mr Mammoliti: Mr Chairman, after a pretty lengthy discussion with my colleagues and with some representatives from the ministry, and to show, of course, how flexible we are and how accommodating we are, I would like to cancel any motion I might have made in terms of amendments to the original proposal by the subcommittee and only include a couple of amendments.

The Chair: Just to make it easy for the Chair, you're withdrawing all the amendments that you proposed and we're going to start over?

Mr Mammoliti: We're going to start all over again because we're nice people and we understand what the opposition is saying.

Mr Grandmaître: Oh, absolutely.

Interjection: We always have.

The Chair: Order.

Mr Mammoliti: So we're going to start off by saying that of course we're going to accept the original subcommittee report with the following amendments. Of course, the minister can't make it in the morning, so the amendment would be to switch morning and afternoon.

The Chair: Why don't we just stop there and we'll get that agreed to. Agreed? Agreed.

Mr Mammoliti: We also want to be able, if the Legislature continues to sit after a House leaders' conference if they decide at a later date that the Legislature will sit past the 24th, to come back and make some amendments so that we can deal with this a little quicker. We would like something in the report that would give us that flexibility, so if we wanted to perhaps take that afternoon on the 24th that I was talking about, we would be able to do it later on.

Mr Grandmaître: And the evening as well?

Mr Mammoliti: And the evenings as well.

The Chair: We have the problem with the evenings, as you recall by the standing orders.

Mr Mammoliti: Right, exactly. We can't do it in the evenings.

Clerk of the Committee: You can use the afternoon of the 24th. I think that's what Mr Bernard Grandmaître is suggesting.

Mr Mammoliti: The 24th in the afternoon we can because that's—

Mr Grandmaître: But not the evening session.

Mr Mammoliti: I think there are some problems with that.

Mr Grandmaître: That's right.

Mr Mammoliti: To be quite honest with you, I haven't had a chance to write something down in terms of what I'm suggesting here, so I would ask the Chair for his help on this one, if we can just add something to

the report that would leave us flexible to be able to do that later on; if the House continues to sit, then we'd want to do that. I'm sure that the opposition would agree because we'd get more work done.

The Chair: It is difficult always for the Chair to deal with what might be, but it would seem to me that we could amend this because I think I'm feeling a breeze of the way things are moving here, that the 24th may not be a real problem in the afternoon because we may not be adjourning, that we could amend this to include the afternoon of the 24th. That would be the first thing to do.

Because the committee is meeting, the committee at any time can change the way it orders its business, so I don't think we need to speak to that. If the House happens, for whatever reason, to be in session during what we now suspect is a recess but may not be, then the committee would meet every Thursday to deal with the bill—I think that goes without saying—

Mr Mammoliti: We're already asking Legislature to approve one week.

The Chair: —and the committee at any time could change the way it orders its business.

I think the concern I've heard from members, both today and at the subcommittee meeting yesterday, was that we had four days to do two days of public hearings during the summer intercession, which may be able to be accomplished during a lengthened summer sitting, and two days of clause-by-clause. I think if that's the understanding of the committee and the understanding of everyone here—I think the Hansard has recorded what I've said, I think everyone's in agreement—that's all that's necessary, because we can reorder our business, provided the committee is in session.

Does that satisfy your concerns without actually making an amendment? I think that's the understanding here.

Mr Grandmaître: Agreed.

Mr David Johnson: That's fine.

The Chair: Could I have agreement on the amendment for June 24? I'm looking for the section. Okay, number 3. We're looking at June 24 at 10 am and 3:30 pm.

Mr Grandmaître: Agreed. So moved.

Mr Mammoliti: Agreed.

The Chair: Further discussion? Then following Mr Grandmaître, could I have agreement on Mr Grandmaître's motion, as amended by Mr Mammoliti's two amendments? Carried. Well, that was easy.

Mr Grandmaître: So George, if you would have done your job last night, you would have saved us all this time.

The Chair: Order.

Mr Mammoliti: Did I ask you for your opinion?

The Chair: Order. I would commend to the members to have a look at what the committee suggests, or the clerk has put before you, in terms of an advertisement for the newspapers. Does every member have a copy of the suggested—

Clerk of the Committee: Yes, they do.

The Chair: There's one change I've requested and I believe it's similar to what the committee suggested yesterday. It says here, "Friday, June 18." I believe the committee yesterday suggested it would be Monday, June 21, for the final day to request time for presentation. Is that acceptable?

Mr David Johnson: My question then is in terms of the last sentence in the first paragraph where it says, "Hearings will be held in Toronto during the week of...."

Clerk of the Committee: That will have to be struck out.

The Chair: In my copy that's struck out, but—

Clerk of the Committee: After "Toronto," all the words are struck out.

Mr David Johnson: Oh, all right. It's not struck out on mine. So you just won't put in when they are.

Clerk of the Committee: We will not put that in, because we really don't know.

Mr Mammoliti: I remember your having the problem with municipalities and trying to figure something out. Did you want to hash that out again in terms of getting hold of them, or not?

Mr Grandmaître: Well, no. I think this was settled.

The Chair: We're just discussing the advertisement.

Mr Mammoliti: Yes.

Mr Grandmaître: We'll do it through the Association of Municipalities of Ontario.

Clerk of the Committee: George, it was settled between the three of you and you agreed that, I recall, AMO—

Mr Mammoliti: Yes, I know, but we also talked about perhaps having a discussion here.

The Chair: I appreciate your raising the point, and I think you should also take note that any written briefs should be in by Friday, July 2, for the committee to consider. Are there any problems with that?

Clerk of the Committee: It's going to be in June 14, the ad.

Mr Grandmaître: It's agreed.

The Chair: Then the clerk will place it so that it appears in all daily papers in Ontario on June 14. Agreed.

COMMITTEE BUDGET

The Chair: Next is the committee budget. Again, I believe all members have the committee budget in front of you. I had instructed the committee clerk to draw the

budget reflecting what the committee is being asked by the Legislature to do. This reflects only what the Legislature has requested us to do, and that is to deal with Bill 7. There is nothing else in this budget other than that. Are there questions on the budget that's being proposed?

Mr Hayes: Moved.

The Chair: Mr Hayes has moved the adoption of the budget. Questions, comments? All in favour? Agreed.

Mr David Johnson: I'm sorry, I'm just sort of looking through here where we're talking about—this is for the whole committee for the whole summer, is it?

The Chair: It is. Mr Johnson, I asked the committee clerk to just deal with what we knew was coming before us. The Chair has no way of knowing or predicting what might come to a committee. There had been a practice that we would put in a rather large global budget. I believe, if I recall, last year this committee budgeted \$160,000, or in that ballpark number, and ended up spending \$10,000 or \$15,000. I don't think that's a very good way of accounting for the public's money. I instructed the clerk just to deal with what we had before us.

Mr David Johnson: So is this suggesting that we're going to be meeting—I see four days under allowances—for example, four days times 11 members. Is that suggesting that in the summer of this year, it's the clerk's expectation we'd be meeting for four days?

The Chair: That's exactly right, Mr Johnson, and that's the only way we can possibly draw a budget. The per diems in the budget are there for members to claim if they wish. It's in the Legislative Assembly Act. The committee must include those in any budget it draws, but of course members are not required to file for their per diems

Mr David Johnson: I am just recalling the earlier comments from the government that there may be a number of days associated with Simcoe. Four days seem to be a little bit light considering—

The Chair: Mr Johnson, as I said, if that occurs then I think the proper way for the committee to deal with that is to look at a budget that relates to dealing with that bill—

Mr David Johnson: Okay.

The Chair: —rather than to have some kind of a global amount. Is that satisfactory? I think it's already been agreed to.

Mr Mammoliti: I like the way this committee's working.

The Chair: We're a very affable group. Is there other business that should be before this committee? If not, shall we adjourn? We will not be in session this afternoon.

The committee adjourned at 1139.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

***Chair / Président:** Brown, Michael A. (Algoma-Manitoulin L)

***Vice-Chair / Vice-Président:** Daigeler, Hans (Nepean L)

Arnott, Ted (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

Fletcher, Derek (Guelph ND)

*Grandmaître, Bernard (Ottawa East/-Est L)

*Johnson, David (Don Mills PC)

*Mammoliti, George (Yorkview ND)

*Morrow, Mark (Wentworth East/-Est ND)

Sorbara, Gregory S. (York Centre L)

Wessenger, Paul (Simcoe Centre ND)

*White, Drummond (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Eddy, Ron (Brant-Haldimand L) for Mr Sorbara

Hayes, Pat (Essex-Kent ND) for Mr Fletcher

Lessard, Wayne (Windsor-Walkerville ND) for Mr Dadamo

Mills, Gordon (Durham East/-Est ND) for Mr Wessenger

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Luski, Lorraine, research officer, Legislative Research Service

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Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 17 June 1993

Journal des débats (Hansard)

Jeudi 17 juin 1993

**Standing committee on
general government**

**Comité permanent des
affaires gouvernementales**

**Municipal Statute Law
Amendment Act, 1993**

**Loi de 1993 modifiant des lois
relatives aux municipalités**

Chair: Michael A. Brown
Clerk: Franco Carrozza

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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 17 June 1993

The committee met at 1003 in room 228.

MUNICIPAL STATUTE LAW
AMENDMENT ACT, 1993

LOI DE 1993 MODIFIANT DES LOIS
RELATIVES AUX MUNICIPALITÉS

Consideration of Bill 7, An Act to amend certain Acts related to Municipalities concerning Waste Management / Loi modifiant certaines lois relatives aux municipalités en ce qui concerne la gestion des déchets.

MINISTRY OF MUNICIPAL AFFAIRS

The Vice-Chair (Mr Hans Daigeler): Good morning, everybody. Thank you for coming out. We are today discussing Bill 7, An Act to amend certain Acts related to Municipalities concerning Waste Management. As agreed upon, for the morning session we have representatives of the ministry with us. In the afternoon, it will be the minister himself.

We do have four representatives from the ministry here, and perhaps I will let you introduce yourselves since you will have to speak for the record anyway. Mr Jones will be making the presentation.

Mr Paul Jones: Mr Chairman, my name is Paul Jones. I'm a manager of local government policy with the Ministry of Municipal Affairs. With me here today is Bob Breeze, who's the acting director from the waste reduction office of the Ministry of Environment and Energy, and you will know from my presentation that the two ministries have worked very closely on bringing this legislation to a position where the government can introduce it and the Legislature can debate it.

Also here is Satish Dhar, a senior policy adviser with the Ministry of Municipal Affairs. Satish specializes on environmental issues, and obviously waste management is one of those issues.

Also here is Scott Gray, a solicitor with our legal branch in the Ministry of Municipal Affairs.

Mr Chairman, if you're ready, I'm ready and willing to make a presentation to the committee.

The Vice-Chair: Yes, go right ahead. Thank you.

Mr Jones: This bill, Bill 7, amends the Municipal Act, the Regional Municipalities Act, 13 regional acts, including the Municipality of Metropolitan Toronto Act, the County of Oxford Act and the District Municipality of Muskoka Act, as well as the Municipal Affairs Act. The purpose of this bill is to give municipalities increased powers to develop and operate comprehensive waste management programs, particularly those programs known to us as 3Rs, and those are programs to reduce, reuse and recycle.

These amendments are necessary for several reasons. First of all, the current municipal legislation is inadequate; some would say "antiquated." For instance, many municipalities do not have explicit 3Rs powers. They do not have the authority to promote and sell the products from recycling. No municipality in the province has at present the power to pass bylaws requiring waste generators, that's you and I as home owners and as business operators and the public at large, to separate our recyclables from waste at the curbside.

The current legislation is also vague. Even where legislation has granted some municipalities 3Rs powers, these powers are unclear. They are unclear as to which level of municipal government in regional municipalities is responsible for the different aspects of the 3Rs programs. This lack of clarity has led municipalities in many instances to postpone investment in 3Rs facilities until the issue of responsibility is settled.

Municipalities have also been concerned with the inadequacy and the vagueness of the existing legislation. They have petitioned the province on several occasions for expanded waste management powers. The municipalities which have in particular asked for additional waste management powers include Metropolitan Toronto, the regional municipalities of Peel, York, Haldimand-Norfolk, Hamilton-Wentworth and Sudbury, and the cities of Kingston and Peterborough, to name but a few.

In addition, the Association of Municipalities of Ontario in 1989 released two reports on municipal waste management. These reports recommended that the province of Ontario provide municipalities with additional waste management powers.

Another consideration in terms of the need for this new legislation is the 3R regulations recently issued by the Ministry of Environment and Energy. These regulations will require all municipalities with a population greater than 5,000 to establish 3Rs programs. It is imperative, therefore, that municipalities have the powers needed to implement the 3R requirements contained in provincial regulations.

I mentioned the release of two reports by the Association of Municipalities of Ontario. Subsequent to the release of these reports, a committee comprising staff from the Ministry of Municipal Affairs, the Ministry of the Environment and AMO was convened. In May 1991 this committee recommended that the Ministry of Municipal Affairs issue a discussion paper on municipal waste management powers prior to the enactment of any new legislation.

In March 1992 the Ministry of Municipal Affairs issued its discussion paper entitled *Municipal Waste Management Powers in Ontario*. It was distributed to a wide range of stakeholders, such as municipalities, environmental groups, the private waste management industry, waste management planning committees and other interested parties, including waste generators and the public at large. In May and June 1992 the Ministry of Municipal Affairs, in conjunction with the Ministry of the Environment, conducted a public consultation program; 13 meetings were convened in 12 centres across Ontario, from Timmins to Windsor and Kenora to Ottawa. More than 550 people attended these public meetings. In addition, we received over 100 briefs or submissions on the discussion paper. We have taken the comments and concerns expressed during this consultation program into consideration in the development of Bill 7.

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I would like now to highlight the provisions of the bill itself. Bill 7 provides municipalities with authority over all aspects of waste management, namely the planning of waste management systems, the collection, 3Rs programs and also disposal. The bill defines in detail the municipal 3Rs powers. It grants municipalities the authority to require separation of waste from recyclables and undertake research and development on waste management to promote and market the products of waste.

Further, it provides that higher penalties may be charged for breaching municipal waste management bylaws than are currently the case. It raises the level of penalties to those that are currently in effect for other environmental bylaw infractions, such as violations of municipal sewage bylaws.

The bill grants municipalities authority to enter on to property for the conducting of surveys and soil tests required to find a waste management site. If a municipal official is refused entry, the bill provides that he or she can apply to the courts for the right to enter. Upon completion of its site search, the municipality must restore the land to its former state and pay any damage done to the land.

No entry of buildings is permitted by this legislation. Many municipalities have complained that their current lack of entry powers often hampered them from including many eligible sites in their site search. It also slowed down their site search considerably. The inclusion of entry powers in Bill 7 is intended to rectify this situation while at the same time providing safeguards for property owners and occupiers and their rights.

Another provision of Bill 7 allows municipalities to establish user fee systems. Essentially, municipalities will be able to charge for the collection in accordance with several criteria. They may charge for collection by weight, volume or indeed type of waste. They can

establish different rates for different types of property. They can also exempt persons from any of these charges.

The bill does not require municipalities to impose a user-pay regime. They can continue, as they do at present, to charge for waste management through taxes. On the other hand, they can develop a system of financing that is a mix of user-pay and taxes.

I should reiterate that all of these powers are permissive. It is up to the municipalities to decide which powers they wish to use and which they do not. The bill also adds waste management sites to the list of public utilities as defined in the *Municipal Affairs Act*. This change will enable assessment commissioners from the Ministry of Finance to assess waste management facilities for taxation purposes.

Taxes, or more correctly payments in lieu, will be payable to the local municipality where the waste site is located. Current legislation governing the taxation of municipal waste facilities is ambiguous. The result is that some waste management sites are assessed while others are not. The bill will correct this inconsistency.

The legislation defines the waste management powers of local and upper-tier municipalities in counties and regions. As I mentioned earlier, existing legislation is not clear on this issue, particularly so far as 3Rs are concerned.

The allocation of responsibility provided for in Bill 7 builds on the status quo.

The bill grants the regional level authority over 3Rs facilities where waste disposal is currently, that is at present, an upper-tier responsibility. These regional municipalities are required to take over responsibilities for 3Rs facilities by 1997.

In these regional municipalities a local municipality may, with the consent of its upper tier, operate 3Rs facilities provided, firstly, it operated these facilities prior to the upper tier assuming the 3Rs function and/or, secondly, the regional municipality is not providing these facilities.

In these regional municipalities, collection, including the collection of recyclables, remains at the local municipal level where it is today. The upper tier has the authority to assume the collection power from its local municipalities.

Eleven of 13 regional municipalities fall into this category.

The remaining two regional municipalities, namely Muskoka and Niagara, have collection and waste disposal powers currently at the local level. The bill provides that the responsibility for 3Rs facilities will also be at the local level. The upper tier in these two regional municipalities will be able to assume any or all of the waste management functions from their local municipalities.

In counties, the allocation of waste management authority currently is the same as in Muskoka and Niagara. Collection and waste disposal are at the local level. The bill extends 3Rs powers to the local municipalities. However, as in Niagara and Muskoka, counties will have the authority to assume any or all waste management powers from their local municipalities.

I should note that the Municipal Act was amended in 1989 to grant counties the authority to assume collection and/or disposal from local municipalities. Bill 7 builds on this by adding 3Rs to the list of services that counties can assume.

When it comes to the assumption of waste management powers by upper-tier municipalities, Bill 7 has two provisions. One applies to regional municipalities with direct elections. The other applies to regional municipalities where there are indirect elections and also to counties.

In regional municipalities where there is direct election, regional councillors, as you know, do not sit on local council. In these regional municipalities, a regional council may assume a waste management function from its local municipalities by passing a bylaw. Metropolitan Toronto and the regional municipality of Niagara would fall within this category.

In regional municipalities where there are indirect elections, regional councillors, as you know, also sit on the local council. In these regional municipalities, a regional council may assume a waste management function if a majority of the regional councillors representing a majority of local municipalities vote in favour of the assumption. Eleven of 13 regional municipalities fall within this category, and as I've noted earlier, that would be all the regional municipalities with the exception of Niagara and Metropolitan Toronto.

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In counties, county councillors sit both at the local council and on county council. Like regional municipalities with indirect election, a county can assume waste management powers from its local municipalities if a majority of the county councillors representing a majority of local municipalities vote in favour of the assumption.

This is a change from the current legislation which was enacted in 1989. The current legislation requires that two thirds of county councillors representing a majority of local municipalities must vote in favour in order for a county to take over a waste management function from its local municipalities.

Members of the committee, this completes my presentation of the highlights of Bill 7. I should add that during the last few weeks we have received comments on Bill 7. The Ontario Waste Management Association has indicated that it would like the wording of the bill to be further clarified in so far as it relates to private

waste management services. We have discussed this issue with the Ontario Waste Management Association. We've also discussed it with the Association of Municipalities of Ontario.

Concern has also been expressed regarding the voting requirements that upper-tier municipalities must meet in order to assume waste management functions from their local municipalities.

The Minister of Municipal Affairs, the Honourable Ed Philip, will be providing the government's position on these issues in his statement to the standing committee later this afternoon.

The Vice-Chair: Thank you very much, Mr Jones. Is there anything else any of the ministry officials want to say before we open up to the questions? Okay. If the committee agrees, perhaps we'll rotate five minutes each caucus so that we have a bit of a breakup. We could also allocate a certain amount of time, divided, that is, up to 12 o'clock, but perhaps five minutes is a better procedure to move forward, if that's agreeable. Mr Grandmaître.

Mr Bernard Grandmaître (Ottawa East): All municipalities with a population of 5,000 or more will have to establish a 3Rs program. What has been your consultation with those municipalities of 5,000 or more?

Mr Jones: Mr Chairman, if I could, the question is not directly related to Bill 7 but the introduction of the 3Rs regulations. There has been consultation by the Ministry of Environment and Energy on that, and I think it would be best if your question was answered by Bob Breeze.

The Vice-Chair: Feel free. Any of the delegates may wish to comment.

Mr Bob Breeze: The Minister of the Environment at that time, Ruth Grier, announced in February 1991 her waste reduction action plan, and in that plan she talked about regulations that would require municipalities of less than 5,000 to implement a blue box system. She tabled in the fall of that year, 1991, what was called Initiatives Paper No 1, and it was regulations to require source separation of waste. That initiatives paper was circulated around the province. We were involved in intensive consultation with municipalities and other stakeholders for almost a year before the regulations that have now been tabled by the Minister of Environment on April 29 of this year. So there was a solid year of consultation and many more months of evaluation to make sure that it met the needs of municipalities and other stakeholders.

Mr Grandmaître: Meaning that most of these municipalities were in favour of starting up such a program in their municipality.

Mr Breeze: The Association of Municipalities of Ontario came forward and thought that the regulations were reasonable. They asked for a number of changes

and a number of those changes in fact have been made. So AMO came forward with their recommendations.

Mr Grandmaître: In other words, AMO represented these smaller municipalities.

Mr Breeze: There was a range of municipalities that came forward—small municipalities, large municipalities, AMO—and there was a range of comments, from very strong support to other ones where they wanted changes, and the regulations that have come forward have been very reflective of those requirements.

As an example, northern municipalities were concerned about time lines, northern municipalities were concerned about the costs, and the regulations have been responsive in both of those ways. In northern municipalities they have three years to implement the blue box program. For northern municipalities that are less than 15,000, they can opt for a depot system, which is far less expensive than the door-to-door collection that we have here in the south. So it was being responsive to many of those concerns that were raised.

Mr Grandmaître: What happens after three years to those municipalities that haven't responded let's say to Bill 8 or the ministry's requirements? What will happen after three years?

Mr Breeze: Our sense is that all municipalities will in fact be offering the service by that time.

Mr Grandmaître: Because of the generous grants that will be given to them?

Mr Breeze: Because of the grants and also because the public in those municipalities are calling for the blue box system. When we did our consultation, not just on Initiatives Paper No 1, but when we did it on Initiatives Paper No 2 and the Municipal Act amendment document that you've heard of today in that consultation, the public was asking: "Let's get on with these blue box requirements. We want the blue box."

Mr Grandmaître: How popular is your user-fee system? How many municipalities backed you up on that one? We only have 30 seconds.

Mr Jones: I thought it was Mr Grandmaître who only had 30 seconds.

The Vice-Chair: That's right. You can take some time, within reason.

Mr Jones: During the consultation on Bill 7, or municipal waste management powers, user fees was one of the items that was in our discussion paper. The response was generally favourable to user fees both by the public and by municipalities that responded during the consultation process.

You have to remember though that in the legislation we're providing permissive powers so that municipalities can determine if in fact it's something that can be implemented in their municipality and is workable within their municipality.

The Vice-Chair: We'll come back to the Liberal caucus later on. Mr Johnson.

Mr David Johnson (Don Mills): You've mentioned the 550 people spread across this province who attended your various consultation periods. When you consider 10 million people in the province of Ontario, it's fairly abysmal in terms of the number of people involved. Is there any common denominator in those people? Would you describe them as being reflective of the attitudes of the people of the province or would they be largely interest groups and that sort of thing?

Mr Jones: There were in fact municipalities that came out and made representation; there were people from the waste management industry; there were waste generators, associations of companies that heavily rely on waste management systems that are currently in place in the province; there was a large number of private public citizens who came out to voice their opinion as to where they thought waste management would be most responsive to their needs; there were environmental groups that were represented. I would have to say that, by and large, yes, they're representative of the people of the province of Ontario.

Mr David Johnson: And they all added up to 500 people; 550, I guess.

You mentioned in one of your responses to Mr Grandmaître about the possibility of a depot system. I wasn't sure, were you referring to general waste, a mixed-waste system or a 3R system?

Mr Breeze: A depot for the blue box system?

Mr David Johnson: For the blue box.

Mr Breeze: Right now the regulation requires that the services are matched, so if the garbage is at the curb then the blue box would have to be at the curb. One of the ways of reducing costs of the blue box is to say, for small northern municipalities, even though the garbage is at the curb, the depot can be centralized and the people would then bring it to that centralized depot.

1030

Mr David Johnson: I was a bit curious to hear that, because any statistics that I've seen indicate that the depot system is considerably less successful than a curbside pickup, and a depot system would not meet the government's requirements in terms of waste reduction. I think it's 25% by the end of last year, 50% by the end of the century. You simply wouldn't meet those targets with the depot kind of system. I'm just wondering what's happened here in between.

Mr Breeze: There's a balance. There's a need to be responsive to costs at the same time as moving ahead to achieve the 50% goal by the year 2000.

If we look at some municipalities that are recently trying the depot along those lines, and let's take Gananoque as an example, they mixed with their depot system a user-pay component. Your garbage is at the curb, your

blue box goes to the depot, but they charge for the garbage. I forget the exact numbers, but for every several bushel baskets of recyclables that you bring to the depot, you get a ticket that pays for the disposal costs. There's an economic advantage to bringing the recyclables to the depot, and what they're finding is that the recovery rates are very high. Depots can work if they're mixed with things like user fee systems.

Interjection.

Mr David Johnson: Who keeps track of those credits?

Mr Grandmaître: Yes..

Mr David Johnson: Listen, I'm giving the Liberal sector time here. I should get an extra minute for this.

Mr Grandmaître: Thanks, Dave.

Mr David Johnson: That was his question, anyway. Who keeps track of those credits?

Mr Breeze: I could bring details next Thursday to the committee. Perhaps one page of it outlines the Gananoque system, but as I understand it they get a ticket and that ticket is then used for the garbage that is then picked up. As for the workings, I'll get the details for you next Thursday.

Mr David Johnson: I think it would be interesting to see that, because I suspect that the takeup still would be considerably lower than a curbside program, even with the stick of a user fee system behind it. If so, is the government prepared to relax its 50% reduction figure in a case like this?

Mr Jones: I think it has to be understood that it's a provincial target of at least a 50% reduction, not an individual target for each municipality, so where municipalities, for economic reasons and because they're located in the north are entitled to have a depot system, it's still going to feed into the overall reduction that's trying to be obtained. There is a different requirement obviously in the more populated areas.

Mr David Johnson: So you would expect higher in southern Ontario, maybe 60% to us and 40% to northern Ontario?

Mr Jones: Yes.

Mr David Johnson: That will be interesting.

Flow control: One of the concerns that has come up by the private sector, I guess, and maybe others, is that this bill may contain flow control, which would direct where the garbage in a certain area—I guess the municipality or the authority in that area would have the authority again to direct where that waste is disposed. I don't think it's contained within this bill, but other people have different opinions about it. Could you clarify from your point of view, does this bill contain flow control?

Mr Jones: It was never intended that the bill provide municipalities with flow control. The bill has

been read, as I said in my presentation, and interpreted by some that it may in fact provide for flow control.

Personally, I could debate it. I think the easier thing might be to clarify it. The minister, as I said, this afternoon in his presentation is going to present the government's position as to how it's going to respond to the concern that there may be flow control.

Mr David Johnson: But it's not your objective to institute flow control.

Mr Jones: No.

Mr David Johnson: It's not your objective to have the authority to direct municipalities as to where they can dispose of their waste?

Mr Jones: Not to have flow control over the private sector; to have flow control over their own municipal waste management systems, obviously.

The Vice-Chair: I think we'll have to come back to that question if Mr Johnson would like to. The government side, Mr Wiseman.

Mr Jim Wiseman (Durham West): One of the interesting comments being made is about the cost of the blue box program. Perhaps you could take us for a walk through the various jurisdictions and how they're handling the blue box program and its costs and how that relates to a number of things: the cost of finding a landfill, the cost of operating a landfill, the cost of closing a landfill and the cost of perpetual care of a landfill, including a definition of "perpetual care."

Interjection: That's all?

Mr Wiseman: That's my five minutes.

The Vice-Chair: I don't know how your colleagues feel about this, but who would like to respond?

Mr Wiseman: That was just one question.

Mr Breeze: The issue of the cost of the blue box system has come up during second reading debate. It's come up from AMO and a number of municipalities. What we've done is roll some numbers together to give a snapshot of what it has cost a number of municipalities across the province.

If we take a look at Belleville, for example—and Belleville is part of the centre in south Hastings—what they have called Blue Box 2000 is one of most innovative and exemplary programs in the province. Their blue box cost net of revenues works out to \$109 a tonne. Their disposal cost, and this is a contract that they have with a local contractor, is \$159 a tonne. By running the blue box system, Belleville is gaining a net savings of \$50 a tonne. It makes sense for Belleville.

You could take another example. Let's take Metro Toronto. These are Metro's numbers; these aren't my numbers. This was in Metro's annual report, so I'm just giving you what Metro came forward with. Blue box cost net of revenue—and revenue is what they would sell the glass and the ferrous and the aluminum for—is

\$187 a tonne, according to Metro. Provincial and OMMRI grants work out to \$76 a tonne. That means the cost net of revenue and grants is \$111 a tonne. When you ask Metro what it costs them to collect and dispose of garbage, what are the costs that they calculate, they calculate that out as \$145 a tonne. So when we include grants—and this is Metro's number; those aren't my numbers—they are saving \$34 a tonne. That's what Metro is saying they are saving. So, with grants, here we have a system that makes sense.

Mr Gregory S. Sorbara (York Centre): With grants.

Mr Breeze: With grants.

Mr Grandmaître: Generous grants.

Mr Wiseman: If these people are going to jump in on that, I'd like to jump in and say that those numbers don't really reflect Metro's costs, in that Metro is able to exploit the tax base of Durham and York at Keele Valley and Brock West. The total cost of running the Keele Valley site is \$30 a tonne, and what Metro nets out of those municipalities in terms of the fees they have to pay then goes into a fund that then they siphon off into using for other revenue like their general revenue fund.

I would say that what you've got there from Metro are not really numbers that reflect true costs but perhaps are bookkeeping numbers. I would love to see the real numbers for Metro because the community groups in my riding which have done extensive research indicate that Metro, when it comes to garbage, is an imperialist power that is sucking a lot of money out of the outlying regions and using it for other purposes, and that therefore it doesn't really represent the true numbers.

The Vice-Chair: Did you want to respond to that further? Otherwise, we'll move on to Mr Hayes.

Mr Breeze: Please move on.

Mr Pat Hayes (Essex-Kent): I just wanted to get a clarification. Mr Johnson was talking about the consultations and emphasized only 550 people, and there were 100 who made presentations or written submissions, I believe. How well was this advertised? Was it put into the local papers and things? This is something that I know sounds like one of the consultations I had on agricultural finance. We did 12—I think you did one more than us—and we thought that was quite extensive, getting out and reaching people. But was it well advertised or was it not?

Mr Jones: Yes, it was well advertised. The fact was advertised that the sessions were being held. Newspapers in the area ran ads advising that the consultation was taking place and people were invited to come out. They were given a general idea as to what it was all about. Yes, we did. We did not set out to fail in this attempt on consultation.

Mr Wiseman: I hadn't heard the rest of the answer

to my question with respect to the costs of finding a landfill site, perpetual care, the closing of a landfill site and whether any of those numbers are calculated into the cost of the disposal of waste.

Mr Breeze: As I said, the number of \$145 a tonne comes from Metro, and I'll have to seek clarification from Metro whether they have included in those their perpetual care costs. When you do include perpetual care costs, it really pushes those numbers up because there's monitoring that has to go on, there's ongoing surveillance that has to go on and, in some cases, remedial action. That costs money. Disposal is expensive as well.

1040

Mr Wiseman: The Beare Road landfill site has not been closed to perpetual care. It is costing Metro a considerable sum of money to monitor that site. It's my suspicion, which has not really been clarified, that the reason they will not close it permanently is because of the horrendous costs it would entail for them to do so. It's cheaper for them to keep it open or to not close it permanently. I think that some people need to know these numbers in terms of what it really costs a community for a landfill site: leachate control, collection, disposal.

The Vice-Chair: We'll go back to the official opposition.

Mr Sorbara: Do you have any idea why the government decided to insist that Metro's garbage be dumped in York region?

The Vice-Chair: Who would like to take that on?

Mr Sorbara: Does anyone have any idea about that?

Mr Breeze: I wasn't involved. I wouldn't be in a position to comment; I'm sorry.

Mr Sorbara: Can you speculate? We've been trying to figure this out for about two and a half years.

The Vice-Chair: You don't have to speculate, but you may if you want to.

Interjection.

The Vice-Chair: Sorry, but Mr Sorbara has the floor.

Mr Drummond White (Durham Centre): On a point of order, Mr Chair: You were asking Ministry of Municipal Affairs people to comment upon a decision that was made by another ministry. I don't think it's appropriate.

The Vice-Chair: That is not a point of order. The members of the committee are free to ask whatever questions they'd like to. Of course, the delegation does not have to answer.

Mr Sorbara: Could you explain how this bill will impact on a region like York region or any of its constituent municipalities?

Mr Satish Dhar: At this point in time, York region

has disposal powers and the local municipalities have collection powers. What this bill will do is give York region the power to process 3Rs—in other words, to establish 3Rs facilities—but the collection of recyclables will still remain at the local level. In a sense, what we will be doing through this bill will be clarifying the role that York region will play in an important part of waste management, which is processing of 3Rs.

My understanding is that at this point in time there's a mixture of how 3Rs facilities are done in York. One of the reasons why there is a little bit of confusion on this in many of the regions is because that aspect was not clear. This will make it much easier for York region to decide on how to organize its waste management system.

Mr Sorbara: Let me get more specific. For two and a half years, the regional municipality of York has been asking the province of Ontario and its government to give it the power and authority to establish a composting facility, and for a year and a half it was like the post office was on strike. There was just no answer. Nobody responded to the chairman's letters, notwithstanding that they had purchased a facility and were ready to put a facility into operation. Does this bill solve that problem?

Mr Dhar: Yes, it does. In fact, when I mentioned 3Rs facilities being a regional responsibility under this bill, that's exactly what it does. It gives York region the power to establish the composting facilities, which is considered one of the types of 3Rs facilities.

Mr Sorbara: Brampton has an incineration facility which has the potential, with expanded capacity, to deal with all the non-3R material in the waste stream from the entire regional municipality of Peel. What steps is the government going to take to ensure that they can never realize that and that they have to continue to dump the garbage in the ground, outhouse style?

Mr Dhar: I think that is a matter for the Ministry of Environment.

Mr Breeze: I'm sorry; I don't understand the nature of the question.

Mr Sorbara: The current government says the only thing to do with garbage is to dig a hole and dump it in the ground.

Mr Wiseman: Recycle it.

Mr Sorbara: Well, recycle it, divert from the waste stream, that's a different argument, but there will always be stuff that can't be diverted from the waste stream and that has to be disposed of. The policy of the current government of Ontario is that when you dispose of that, the only way to do it is to dig a hole and dump it in the ground.

Notwithstanding that, just by the by, the rest of the world is developing state-of-the-art incineration facilities—

Mr Wayne Lessard (Windsor-Walkerville): No such thing as state of the art.

Mr Sorbara: Do I hear a sound coming from somewhere, Mr Chair?

The Vice-Chair: Yes, there is some sound. Would you please finish your question.

Mr Sorbara: Well, notwithstanding the sort of Luddite approach of the government of Ontario, Peel has this facility, which is state of the art and which is currently being used.

My understanding is that the policy of the Ontario government is that these things shouldn't exist in the province of Ontario. I want to know whether that continues to be the policy, and if so, are you going to shut it down?

Mr Breeze: There's a regulation in place and the regulation bans the construction and establishment of new incinerators. It allows the existing incinerators, and I believe Peel is included in that list of existing incinerators to continue, with appropriate monitoring and appropriate controls.

Mr David Johnson: Maybe just picking up on that for a little bit then, the political decision has been to not consider incineration of any form. That's been the clear political direction.

Within the staff, and I guess I'd be looking at the staff of the Ministry of Environment and Energy. Is that where I should be looking? Has there been any staff input or—what's the word I'm looking for?—any staff direction or view on incineration? This may put you in a awkward spot, but I'm trying to separate the political direction from staff views on incineration.

Mr Breeze: In any policy that's developed, there's full staff involvement in bringing it together. Staff was involved in writing that regulation and in the discussions.

Mr David Johnson: Is it staff's view that incineration under any circumstances is undesirable, or is the staff view that there may be some form of incineration that would be worthwhile to pursue?

Mr Breeze: I'll speak on behalf of the waste reduction office; I'm the acting director, so I'll speak on that basis. The problem with incineration is not just the emissions, and that was one of the rationales for coming forward with the regulation, but that it will compete directly with our 3Rs initiatives.

It's more appropriate to take those materials that have high BTU value, say, the paper, the corrugated cardboard, and to put them back into value added product. Let's get the corrugated back into corrugated. What the incineration will do is compete against those more appropriate ways of managing those wastes.

Mr David Johnson: I guess Mr Sorbara has indicated, and I agree, that there will be waste that will not

be recycled. It's true, most of us agree with that.

Mr Wiseman: Can you name some?

Mr David Johnson: It's not garbage. You may not agree with that, but there will be waste that cannot be recycled. Now, is the ministry opposed to incineration of the basic mixed waste that cannot be recycled?

Mr Breeze: The regulation is clear. It has banned all new incinerators, and that's the clear policy.

Mr David Johnson: I know that's the policy, but I'm asking, as a senior representative for the Ministry of Environment, do you personally or does your department, does staff rule out any investigation? As they've done in Europe, I might say. In Japan there are incinerators that are viewed as being very environmentally sensitive. Does the ministry rule out—

Interjection.

Mr David Johnson: Certainly the politicians have, and I guess you can't answer that.

Let's go back to flow control for a moment. In the bill, two thirds of the way down page 8, it gives exclusive jurisdiction to counties with regard to services and facilities for waste management. Then on the top of page 9, it gives councils the authority to designate certain services or facilities, I assume, that the waste must be directed to. It seems to me it's conceivable that could be interpreted as meaning that there would be authority here to direct private waste to certain facilities.

1050

Mr Dhar: If I can answer the question, the first item that you referred to, which is at the bottom of page 8, gives counties the authority to, I guess, provide consent for the establishment of a disposal facility. So that is not flow control; that is control over the establishment of a disposal facility. That's an existing power. Counties have it at this point in time.

On page 9, it says that counties can designate a facility but only for participating municipalities. In other words, the local municipality in a county can be directed to send its waste, not private waste, to a designated facility that the county may establish. This is what I think Paul referred to earlier as flow control, but only for municipal waste, waste which is dealt with by the municipality, which is usually residential waste. It does not in any way imply that private or what we call IC&I waste is included in this flow control.

Mr David Johnson: All right. Well, that's been a concern.

The Vice-Chair: Sorry, Mr Johnson, your time is already up again. We will come back to you. I should indicate that we will continue until 12 unless there are no further questions; then we would finish earlier.

Mr Wiseman: I'd like to pursue the recycling aspect of this in terms of the number of jobs that are being created that would not be created if this was burned.

Perhaps Mr Breeze could give us an indication of how many jobs have been created at, say, Atlantic Packaging in Whitby, given that they've had a \$4-million expansion to increase the amount of paper that they can recycle.

Mr Breeze: I can't give you a specific number, but clearly there are jobs that are being created by these 3Rs regulations and not just at Atlantic Packaging. At QUNO in Thorold, at Spruce Falls, across the province, those new de-inking and paper recycling and other material recycling facilities, they create jobs.

Mr Wiseman: Perhaps you could also indicate the size of the market that will be available for a company like Domal that creates the person-hole cover sleeves and everything and what kind of jobs potential this has both in Canada and in the North American market.

Mr Breeze: The Ministry of Environment has just funded Domal. What they are making is risers above manhole covers and manhole-cover rings that stop the high maintenance cost that municipalities are faced with. As cars are continually hitting those covers, they hit the brick and the brick breaks down and has to be repaired. Domal is taking 26 passenger tire equivalents for the ring, 10 passenger tire equivalents for the riser. That significantly reduces maintenance costs to municipalities, so it's a cost saving there. That takes 36 tires out of the waste stream and puts them to a solid recycling purpose.

There's a potential here for not only use across Ontario but sales into the United States and to other provinces, and that means jobs. It means jobs at National Rubber, it means jobs at whatever facility Domal eventually sets up. We've just issued the grant to Domal to get on with that business.

The Vice-Chair: Thank you very much. It's rather interesting.

Mr George Mammoliti (Yorkview): I'm assuming that the four of you had some pretty extensive experience within the ministry. I would assume as well that over the last little while—

Interjections.

Mr Mammoliti: Mr Chair, I hear some chirping.

The Vice-Chair: I take this as a rhetorical question, but Mr Mammoliti, continue.

Mr Mammoliti: I assume as well that over the last little while municipalities have been at your doorstep and have asked for such a change.

Mr Dhar: I can speak on that. In fact, over the last few years municipalities have asked us. Paul, in his presentation, gave a list of some of the municipalities. But more than that, the Association of Municipalities of Ontario has done extensive work on municipal waste management. One of the conclusions they came to is that if the 3Rs and their initiatives for reduction, reuse and recycling were to succeed and progress further, they

would need new powers. It's precisely for those reasons that this new legislation was put into effect.

As we said earlier as well, the Association of Municipalities of Ontario was involved in the initial discussions that lead to the release of the discussion paper. So municipalities have been very instrumental in this bill and have by and large welcomed it.

Mr Mammoliti: I'm assuming as well that in order to make a piece of legislation like this work, there need to be an extensive amount of people and organizations that are happy with this. Having said that, you also have to make bureaucrats happy as well, if they really want something to happen and they've been working on it for a number of years. I'm assuming that a piece of legislation like this would make not only municipalities and the public and the politicians happy but the bureaucrats as well. Yes or no would help.

The Vice-Chair: The question is, are you happy or not? Who would like to answer that question?

Mr Jones: Are we smiling? I think we're happy in that we've gone out and consulted and we truly believe that we have here a piece of legislation that serves not only the municipal interests but the greater public interest which we serve.

Mr Mammoliti: It's a good-news item, isn't it? It's something that's really good.

Mr Jones: Yes.

The Vice-Chair: Thanks very much. I would have thought you would have responded that way, but we'll move on to Mr Grandmaître.

Mr Grandmaître: Not that I want to answer Mr Mammoliti's question, but—

The Vice-Chair: Are you happy, Mr Grandmaître?

Mr Grandmaître: Well, if he's happy, I'm happy.

Mr White: Do we have that on record?

Mr Grandmaître: More consultation was needed through AMO, for the simple reason that municipalities didn't know where the ministries stood. They wanted clarification. That's why more consultation was needed. Is that right?

Mr Jones: Are you referring to the consultation when we toured the province?

Mr Grandmaître: Yes.

Mr Jones: Okay, first of all, as you know, I indicated AMO had done two discussion papers of its own on waste management. That represented the municipal position. There are a number of other positions that people have taken around this issue, whether they be generators of waste, the public industry, whether they be people who are involved in the waste management industry. All of those views had to be taken into account.

The other thing we had to do was, in our consultation we tried to represent as many options as were being

considered or promoted by different interests so that everyone could get a big picture of where people stood on different issues. For example, with user fees we had a discussion in the paper about the options and the good and the bad and the pros and the cons. All the issues were done that way, so that people would be in a position to be able to know other thoughts, other people's positions, and we could then try and see if there was some consensus across the province that could be built.

Mr Grandmaître: But before that big picture was established, and I'm using your words, a lot of unilateral decisions were made by the ministries, and this is why you had to go out and clarify this.

Mr Jones: I'm sorry, by unilateral decisions—

Mr Grandmaître: I'm talking about rumours and, you know, what ministers usually don't introduce in the House but through the Toronto Star, the Globe and Mail, all of these great things, and then municipalities got upset because they weren't getting the real answers from the ministries concerned.

Mr Jones: I think, more to the point, municipalities were saying that if we want to achieve the 3Rs target, if we want to really have a reduction in waste, then municipalities need more powers than currently are in place in the Municipal Act. Mr Sorbara gave an example of York region asking for a particular power so that they could do composting. These are the types of things that were considered and where legislation was deemed to be necessary.

Mr Dhar: If I can add something to that, one of the things that was happening, and Mr Grandmaître is right, is that there were lots of ideas floating around the province. Some of them you might call rumours; others you might call brainwaves. There were a lot of ideas floating around. What we tried to do during the consultation process and in fact from the discussion papers was to air many of these ideas through options and try to find out where a balance could be struck. That was the reason for this consultation process.

1100

The discussion paper was sent to a lot of people. In fact I think we sent about 15,000 copies, which included almost all the people who had interest in waste management. I think one of the things we recognized or realized during the consultation process was that this is an evolving thing. There are lots of different views. We have to hear them all and then come to some conclusions. That's what we've tried to do in this bill.

Mr Grandmaître: Tell me about northern Ontario and unorganized areas. How will they comply with Bill 7? How can they comply?

Mr Jones: Comply with Bill 7? I can speak with some experience. I used to work for the town of Kenora, which is in northern Ontario.

Mr Grandmaître: Northern enough; it's cold enough.

Mr Jones: We tend to think of it as being western, ourselves.

Mr Sorbara: It's part of western Canada. Well, it is. Kenora's part of western Canada.

Mr Jones: It's surrounded by a considerable amount of unorganized territory. Waste management there in terms of Bill 7—we've already heard from the town of Kenora, which said: "We studied the bill. We recognize that it gives us, in northern Ontario, what we want or what we need; that is, the ability to be able to go into unorganized territory and search for a land site for waste because we may not be able to find it within our own boundaries"—

Mr Sorbara: Why doesn't that apply to York region? Very interesting.

Mr Jones: —"and at the same time provide an opportunity for people in unorganized territory to have some say in the decision as to the location of landfill sites through the requirement for an OMB hearing; to also provide for unorganized territory to be able to utilize a waste management site that might be managed by an organized municipality."

Mr David Johnson: Looking at the whole general area of funding, you've introduced user-pay into this bill. I guess this is one of the key concerns for a lot of the municipalities. If the question is to keep the municipalities happy and keep the bureaucrats happy, particularly in southern Ontario, the vast majority of them would be made happy—I don't know if present company is included or not—if we had approval to proceed with the environmental assessment at Kirkland Lake. That would make most people happy here in southern Ontario.

At any rate, the question is on user-pay. How does the government contemplate that the costs will be paid? Do they contemplate that the user-pay system will ultimately pay for the cost of the 3R program?

Mr Breeze: At present, if we look at the cost of the blue box system, it's about \$80 million. The bulk of that, around 45%, is being paid by municipalities; 35% or so by the province and a smaller amount being paid by industry through what now we have in Ontario called OMMRI.

Mr David Johnson: Sorry, 45% of municipalities?

Mr Breeze: About 45% municipalities, 35% the province, I believe it's 5% or 6% OMMRI, and the rest is revenues from sales.

The government's view, as stated by the Minister of Environment and Energy when he announced the 3Rs regulations on April 29, is that there is an inequity there, that municipalities are carrying a larger part of the burden than they are in many other parts of the world and that there's a need to address it. He has

indicated that he wants to redress that cost by following what he referred to, and what we've talked often in the pollution area, as polluter pays. Whoever generates the product should be responsible for the cost through its full life cycle. That's along the lines of what we see already in place, for example, in Germany, where the packagers of products are responsible for the full cost and the establishment of the infrastructure under the green dot system to do all of the recycling.

To get back to the specifics of your question, how do we envisage it being paid, certainly user-pay is part of it, but a very large part of it as well is polluter-pays. If it's packaging, the packagers should be bearing a larger part of the responsibility for the costs of that. That's how we drive reduction, it's how we drive reuse, because industry will then say there's a way out of the cost, and that's by reducing the amount of packaging: "We're out of the cost by using reusable or refillable packaging." So we see that as a very important direction.

Mr David Johnson: Okay, let's go ahead a few years. I'm going to ask you to give me the percentages that the government would target, say, two years in the future or five years in the future. How much would be paid by municipalities, how much by the province, how much through a user-pay system, how much by OMMRI, how much by the private sector?

Mr Breeze: That has to come through discussions with all of the stakeholders, municipalities—

Mr David Johnson: But the government must have some views on this. Surely the government has some thoughts on how this is going to shake out, because this is a central question to this whole thing. If you've introduced the user-pay system, surely you haven't just thrown it in there without having any views as to what component of the total cost down the road this will contribute. Let's take three years.

Mr Breeze: I can't put a specific percentage on it, other than that there needs to be a redress of that inequity and we need to work with all of the stakeholders, including industry, to talk about what is the more appropriate balance.

Mr David Johnson: The municipalities are contributing about 45% of the cost. Do you see their share going up or down? Down, I gather?

Mr Breeze: Certainly that's what we're talking about: reducing the burden on the municipal and provincial tax base.

Mr David Johnson: What about the provincial share? The provincial share is 35% at the present time. There's healthy suspicion that user-pay would be implemented to reduce the provincial share as well. Is that fair to say?

Mr Breeze: If we're moving to a polluter-pays system, where the packager, the producer of that

package, is going to be paying, then you're going to see reductions in both those areas in terms of how much is being paid for the recycling system.

Mr David Johnson: Would it be the provincial government's desire to get out of paying for any of the cost, down to zero?

Mr Breeze: I can't speculate on the way it's going to look at two or three or four years down the road. It's just that there needs to be a redressing, we need to move it back to the producer. What the eventual outlook is going to be, no one could really guess at this point in time. This issue is the same in all jurisdictions as to what is going to be the appropriate balance between municipalities and how much they would pay to either the tax base or user-pay systems and how much industry should be paying. That's got to be the subject of debate and discussion.

Mr Mammoliti: Over the last little while, the mayor of North York, Mel Lastman, had made some comments both in council and in the paper about how he's thinking about getting rid of the blue box program in North York because they can't afford it.

Earlier, I'd asked you whether some municipalities have been knocking on your door. I know North York has certainly been there asking for money in the past. In my opinion—and I'm only speculating—he's probably going to say that this doesn't do anything for North York in terms of recycling, and the reason will probably be because we're not funding, we're not giving him anything in terms of money as a provincial government.

1110

Where in North York could you see potential savings if North York and Mel Lastman would put their heads together and perhaps think of some very positive ways to save some money in this particular area? If Mel Lastman were here right now and he posed these questions to you, what would you recommend he do, as the mayor of North York?

The Vice-Chair: Interesting question.

Mr Breeze: It just happens that I met with North York and the commissioner of works last week on this issue and how we could work with them to reduce costs. They're looking at a study over the next couple of months that will look at alternatives to the blue box system. What they're talking about is bag systems; instead of putting it in a box, you'd put it in a bag. It has some real potential for cost savings. If I could bring forward the Etobicoke example, where we funded that truck with two compartments, with one pass instead of two passes you can pick up both the garbage and the recyclables.

I think North York and other municipalities, with the province, need to look at those kinds of options. There are significant savings there, where the public would put, as an example, two bags out, a garbage bag and a

bag with the dry recyclables, the truck goes by, the garbage goes in the back, the dry recyclables in the front, and you've significantly cut operating costs.

The Vice-Chair: Sorry, Mr Mammoliti. There are two others of your caucus who would like to ask questions. Mr Wiseman, you were next, but Mr White also would like to ask a question. I'm wondering, as you've had an opportunity, whether you'd want to—

Mr Wiseman: If I let him go before me, I won't get a question. He talks too much.

The Vice-Chair: Okay, Mr Wiseman.

Mr Wiseman: Very specifically, will this bill build in the connection between the true costs of running, operating, finding and quality control of a landfill site and the disposal of waste in the municipalities? Right now it doesn't.

Mr Breeze: There's nothing specific in the bill on accounting methodologies or requirements for accounting methodologies.

Mr Wiseman: I'm not asking that. I'm asking whether, if in reality the upper-tier municipality is required to find, finance, operate and run a landfill site, this cost will somehow be connected to what the benefits would be from recycling. Would that be an outcome of this bill?

The Vice-Chair: Does anybody want to answer this?

Mr Wiseman: Maybe we could work on the answer some time.

Mr White: I'm very impressed with the quality of your flexibility in terms of the management of waste. Lots of options can be pursued in addition to a blue box. What we're looking at is recycling, not blue boxes or green cans or whatever the heck you want to call it. But what you're looking at it recycling, waste reduction, waste management. With the figures you cited before—Mr Wiseman suggested they might be modest, and dare I say conservative—we're talking about a saving through recycling of between \$35 and \$50. Why would a municipality not be eager to participate in those kinds of programs, with the flexibility and the obvious savings to them?

Mr Breeze: There are a number of municipalities that aren't running systems as efficient as the examples that have been put before you today with those numbers. They're saying they see those costs and would rather not be faced with those costs. The other, as well, is that there are many municipalities in the province that have old landfill sites that they obtained many years ago at very low cost, and they look at those low costs and they say, "This is costing us \$20 or \$30 a tonne," and they like those low costs.

What they're not taking into consideration is what Mr Wiseman said before. They're not taking into consideration the cost of getting up and running with those landfill sites in the future. That's the planning and the

whole planning process. They're not taking into consideration the eventual costs of monitoring, surveillance, perpetual care. To back up a bit, from their perspective, when they see some \$20-odd a tonne based on what they think they're paying for disposal, they see the blue box as being expensive. It only balances out when you add, as Mr Wiseman said, all of those other costs, and then it begins to look a lot more—

The Vice-Chair: Okay. Thank you very much. The Liberal caucus. Mr Sorbara.

Mr Sorbara: I just wanted to ask Mr Jones once again to repeat what he said about Kenora and the empowerment of Kenora under this bill, when it becomes law, to venture forth to the unorganized territory around Kenora to identify an environmentally appropriate disposal site.

Mr Jones: You've said basically what I said before. Yes, the legislation provides for municipalities, in fact all municipalities.

Mr Sorbara: Except the municipalities within the greater Toronto area to venture forth from their boundaries into other territory to find an environmentally suitable site for disposal, right?

Mr Jones: Correct.

Mr Sorbara: Why? Why would it be that Kenora, one of the great communities in Ontario, western Canada—that's sort of western Canada there, although it's still in Ontario—would be empowered to go beyond its municipal boundaries into surrounding territory to find an environmentally suitable site for waste disposal, yet the five municipalities making up the greater Toronto area are not permitted under the laws of Ontario to venture forth beyond their municipal boundaries to find an environmentally suitable site?

Why is it that Peel, York region, Metro and Durham are forced under the laws of Ontario to have to take a less suitable site, from environmental standards, if it's in its boundaries rather than a more suitable site, if a more suitable site environmentally happens to be outside the boundaries? Why do we differentiate between the powers that Kenora and every other municipality has and the municipalities in the GTA?

Mr Breeze: Our minister has stated what he has called a local disposal policy. That deals not just with the GTA; it deals across the province, where he has stated that it's more appropriate to dispose of waste close to home.

Mr Sorbara: I'm sorry to interrupt. I'm talking about the laws that govern here. I don't care what your minister's policy is or the guidelines, I'm talking about laws that govern. The laws, as you tell me about them here, permit Kenora to venture forth into unorganized territory to find an environmentally suitable site, right?

Mr Breeze: Yes. The purpose of that provision is a recognition that, for example, for separated municipal-

ities where there is absolutely no potential for those municipalities to find a site within their boundary, to begin to look outside.

Mr Sorbara: Okay. I want to stop you right there.

The Vice-Chair: Mr Sorbara, Mr Breeze has the floor.

Mr Breeze: It isn't a carte blanche to go and look outside.

Mr Sorbara: No, I appreciate that.

Mr Breeze: It's a recognition that you are unlikely in many cases to find a site locally and so here's a provision that allows you to look outside. It doesn't mean that you have to forget about inside. So it isn't a carte blanche.

Mr Sorbara: But in the GTA, before there was any investigation as to whether or not it was possible to find a suitable site in York region, the law said, "You have to have a site in York region." Why does the law say in respect of Metro and York region, "You have to find a site there (even if there isn't an environmentally suitable site)," yet for Kenora, if there's not an appropriate site, you can venture forth? Will someone please explain the dichotomy there?

Mr Mammoliti: Point of order.

The Vice-Chair: Point of order—better be a good one.

Mr Mammoliti: With all due respect—

Mr Sorbara: Do I hear cackling, sir?

Mr Mammoliti: With all due respect to Mr Sorbara, and I understand that this is—

The Vice-Chair: I'm sorry. What's your point of order?

Mr Mammoliti: —a concern of his, I would suggest that perhaps this might be an appropriate question for the—

The Vice-Chair: I'm sorry. What is your point of order?

Mr Mammoliti: My point of order is that I don't believe this question should be asked to these four individuals. Perhaps it would better if he asked this question—

The Vice-Chair: I'm sorry, Mr Sorbara has the floor. He can ask the questions. I'm sorry, Mr Mammoliti, this is not a point of order, as I indicated before. The members of the committee are free to ask the questions they wish to; the delegation is not required to respond.

Mr Sorbara: I'll just reiterate my point and see if we can get an answer without an interruption from the government members.

We have one law that applies to Kenora and that's this bill, and there are many attractive things in this bill. There is another legal regime that applies to the five

GTA municipalities. The problem that the people I represent have is, they don't understand why one legal regime has been superimposed on them and a different legal regime is superimposed on the people of the rest of the province. Could that be explained by you to this committee and, through this committee, to the people I represent?

1120

Mr Jones: If we can use Kenora as the example, I think the likelihood of finding a site within the bounds of the town of Kenora is far less than the ability to find a waste disposal site within the greater Toronto area. To reiterate what Mr Breeze had said in terms of the policy, one of the considerations that has to be is to look close to home for a site. To try and go and look far afield without exploring close to home and the potential for sites in the GTA, as opposed to the potential for sites in some northern areas, just makes good sense.

Mr Sorbara: No, but I've just—

The Vice-Chair: Sorry. Thank you very much. Mr Johnson.

Mr David Johnson: I just want to finish up on the financial aspects, because I think what really concerns a lot of people in this whole issue is the financing and what the government's plans are for financing. From what I hear here today, the option of the user pay is being put forward, but there really don't seem to be any long-term plans.

If we talk about Mr Lastman, for example, and his concerns financially, I'm just trying to recall, but I think we're looking at about a \$5-million 3Rs program in North York, which is today being paid by Metropolitan Toronto, the shortfall. There's a huge shortfall. The revenue doesn't pay for much in terms of the paper and the cans and the glass and that sort of thing. It's a small component of the total cost. So the waste reserve is being used—Metropolitan Toronto's waste reserve, set up from the tipage fees, the waste being generated in Metropolitan Toronto and other regions, mostly within Metropolitan Toronto—to pay for the large proportion of the cost. But next year the five-year agreement between North York and Metro expires and the people of North York are going to have to pick up a huge extra cost on their tax bill, and they're not going to be happy about that.

So I guess I'm wondering, when do you contemplate that the provincial government will come forward with a plan that will determine how much is going to be funded by the provincial government, how much by the private sector? The private sector is involved in this too. They're going to be part of these proceedings, and they're wondering, what is the government going to dictate to them in terms of their involvement in the funding? When is this going to get sorted out, or is there any plan? I haven't heard it here today yet.

Mr Breeze: It is clearly a priority of the waste reduction office and the ministry to address the inequity. The minister indicated in his speech to the Recycling Council of Ontario on April 29 that it was a priority and an issue that was going to be addressed up front. He indicated by August he hopes to have something forward that would begin to indicate the direction that it will be going.

There is something real already on the horizon that is an option to at least be considered by the stakeholders where the grocery products manufacturers have come forward with what they call their packaging stewardship model. They're proposing that they would go substantially beyond where the OMMRI payments currently are and that they would go beyond the one-third capital, which OMMRI is paying for, to amortize capital, plus operating costs for what municipalities are paying for the blue box system, because there's a recognition by the Grocery Products Manufacturers of Canada that that shift has to take place.

So it's not speculation; there are some real proposals on the table. Other jurisdictions have already begun to move in those directions, so there's some clear indicators on how we can begin to move, and as I've said, the minister has said he would like to have a package for initial consideration. We're shooting for August.

Mr David Johnson: I think the municipalities will be very reluctant to implement a user-pay system, which the citizens will not be very delighted about, another tax, until they find out these other components. We're starting to hear about them bit by bit. Is this the way it's going to be tackled, sort of one sector at a time—what did you say it was, the grocery producers or whatever?—or is there some overall plan that you're hoping will bring this together? Have you got a plan for the private sector in terms of its funding?

Mr Breeze: I've indicated the overall direction that we believe we're going in. How it's going to roll out has to be developed with all of the stakeholders. Instead of the government saying, "That's the way it's going to roll out," we need to work with packagers, the private sector and municipalities to determine what direction we're going to go in and what those splits are going to be. It's premature to say, "Here is what it's going to look like." It would be guessing.

Mr David Johnson: Again, do you anticipate that by August—is that what I'm hearing?—you will have sat down with all the various portions of the private sector, determined what their involvement will be and have had a report back that we could see?

Mr Breeze: It's premature to say what it will look like in August. We're in discussions with GPMC and other sectors. We're shooting to bring something forward in August that gives an indication on the direction that it will be going, but as to specifically what it's going to be, it's premature.

Mr Hayes: Just on that point of the user fees, I believe that was also recommended or welcomed by AMO, first of all. The other thing I really wanted to ask is—maybe for the committee's understanding, what we're doing here is giving the municipalities the authority to put the cost on either taxes or user fees, or both, if they so choose.

Are you familiar with, I think it's up in Mr Grandmaître's area, Ottawa-Carleton, where there was a survey actually taken by the municipality up there, asking people if they would be willing to pay more for the 3Rs? Are you familiar with that?

Mr Jones: Yes, we understand that there was a survey conducted, a poll, if you will, and that people did indicate that they were willing to pay an additional price to be able to reduce the amount of garbage that was being sent to landfill, whether it be through reduction, reuse or recycling.

In terms of user-pay, I think it needs to be clear that this is not an additional tax that's being proposed. What's being proposed is an alternative way to be able to finance waste management systems. What you have to consider is that there are municipalities that did put a question on the ballot at the last municipal election and asked people if they were in favour of user fees. They voted it down.

But then the municipality went on an experimental basis to show what it would cost. They sent out dummy bills, if you will, to show what it would cost if the municipality charged you per bag of garbage picked up at the curb. People began to understand that they were being charged not by the wealth of their property but by how much garbage they put out and that if they really put an effort into reduction and reuse and recycling, there would be less cost to them than there may currently be through it appearing on their taxes and that there's a direct relationship between the activity of reduction and how much you pay.

"Why should I pay for my garbage," some people would say, "based on the wealth of my house? Shouldn't it be how many bags I put out? Why should I pay more on my property taxes than someone else who puts out more garbage than I do?" People are truly beginning to understand that user-pay not only allows for a reduction to occur and encourages it but it more directly relates to the actual cost of them putting garbage out at the curb.

Mr Hayes: If a municipality so chose to implement user fees, it would be an incentive for people to reduce the amount of waste in their households, for example. That's really what you're saying.

1130

Mr Grandmaître: I'd like to stay on the cost of this program to municipalities. We've been taking for granted that AMO is on side. AMO's on side in prin-

ciple. Let's be honest about this. They want to know the real cost of this program, especially to municipalities.

While we're on the subject of user fees, at the present time, municipalities, through our taxation system, are paying for garbage pickup. If municipalities, with this permissive legislation, introduced user fees, this would be an additional tax. Don't tell me it's not a tax, because we're paying taxes. Some 95% of the people in the province of Ontario are paying a garbage tax, and if you were to permit—we are permitting—municipalities to introduce user fees through municipal bylaw, that's an additional tax.

What AMO wants to know is: "Fine and dandy, user fees, talk about them all you want. How much is it going to cost us?" AMO still doesn't have an answer. They're waiting for this answer, because right now their approval is only in principle. When are you going to get this full approval from AMO? Tell me about your generous grants.

Mr Breeze: As Mr Jones indicated earlier, as to the user-pay system, when it's first brought forward to the public, they say this is an additional tax along the lines you have indicated, but if you can show the public, through the tax—

Mr Grandmaître: What are you doing this weekend? Do you want to come down to Ottawa and explain this to them?

Mr Breeze: If you can show the public that by switching—it's switching, it's not on top of; the way to do it appropriately is switching from general taxation to user fees—if they can be shown that this is a way they can reduce their taxes, reduce the amount of waste going to landfill, generally the public will go for it. They're looking for that opportunity.

It has real payback as well. It has real payback because the public won't just be taking it out of the garbage stream and putting it in the recycling stream. They'll be looking at the amount of packaging they're buying and the amount of packaging they end up paying for. They'll be looking for less packaging and buying products that have less packaging. We are therefore going to reduce the amount of waste. By reducing the amount of waste, we've won all the way around. The solution isn't recycling, and that's where user fees really coming in. It pushes the individual to go back and think about reduction, and that's the lowest cost alternative.

Mr Grandmaître: It pushes the individual to throw his garbage next door, and that's what's happening right now in Ottawa-Carleton. Supplementary, Mr Sorbara.

Mr Sorbara: I just want to point out that the former Minister of Finance, Michael Wilson, gave the very same explanation in respect of the GST this morning on the radio, that the problem really was that he didn't explain it well enough to the people and that's why it wasn't accepted.

Mr Hayes: What's your point?

Mr Sorbara: My point is that whenever governments plan on imposing a new tax, whether they call it new revenue generators or user fees, and it runs into resistance from the citizenry who after all have to pay it, the government's explanation to itself generally is: "Oh, we didn't explain it well enough. If we had made it clearer that there were great benefits here, it would have had greater public acceptance."

Frankly, that's hogwash. The problem with the taxpayers out there right now is that they are virtually bankrupt. They have no more capacity to pay additional sums, whether it be Bob Rae's surtax or Bob Rae's increase in income tax or Bob Rae's 5% tax on auto insurance or user fees for new systems of waste management. There is no more capacity to pay taxes, and you should be telling your political masters that's the reality of the province for which you work.

The Vice-Chair: I don't know whether you saw a question in there, but if you want to respond—

Interjections.

The Vice-Chair: Could we have some order, please.

Mr Breeze: What's important about the user-fee provision is that it is permissive. There is no imposition of this bill on the public, that it must use user fees. What we're doing is giving municipalities the broadest range of tools they can choose that are most appropriate for their residents and their municipalities. So it's permissive. It is not forcing or imposing this on—

Mr Sorbara: That's right, and in 1917, income taxes were described as temporary.

The Vice-Chair: Mr Dhar was keen to respond to this as well, and we have about half a minute left.

Mr Dhar: If I can add one more point, during our consultation process, one of the options and items that received the broadest popular support from environmental groups, municipalities, the general public, and I reiterate, the general public, was user fees.

Mr Sorbara: Trading in technicalities. I'm sorry to say that, but—

Mr Dhar: I'm repeating facts, Mr Sorbara. This is exactly what we heard and this was the one item that in fact had, as I said, broad support. Many municipalities have been pressing the province for this power.

I think one of the things to recognize is that, as Bob said earlier, it's a very broad power. Municipalities can use user fees with a mixture of taxes and user fees and apply them in such a way that they're a deterrent to higher levels of waste production.

Mr Grandmaitre: On a point of order, Mr Chair: A little while ago, I asked this panel how popular user fees were with municipalities and you didn't answer my question and now you're telling me that it is very popular.

The Vice-Chair: I'm sorry, Mr Grandmaitre, that's not a point of order.

Mr Sorbara: Sounds like a point of order to me.

The Vice-Chair: We'll move on to the third party. Could we have some order, please.

Mr David Johnson: Actually, I think we may have something here. You know, you charge by the bag. I think that kind of philosophy could be extended. For example, when you send children to school, you don't pay school taxes out of your property tax; you only charge by the child when he or she goes in the door. There would be so many people, the province would support that kind of concept. You don't charge for fire services; you only charge—

Mr Grandmaitre: By the fire.

Mr David Johnson: —by the fire. Sure. You don't charge for police services; it's only when the police come to your house. I think we're on to something here.

The Vice-Chair: Is that the philosophy of your party now?

Mr David Johnson: We're considering that. You know, we could extend that.

Mr Sorbara: By the shovelful.

The Vice-Chair: Could we have some order, please.

Interjections.

The Vice-Chair: Could we have some order. Mr Johnson has the floor and he has five minutes.

Mr David Johnson: When the people from Durham come into Metropolitan Toronto, we could charge them on the Don Valley Parkway for the full cost of the maintenance of the Don Valley Parkway, and the air pollution and other associated costs. I really think we're on to something. We could charge them for the full value of the water instead of getting it at discount rates in the region of Durham.

The Vice-Chair: Is this your question?

Mr David Johnson: I started out on flow control and I think I got the answer, but I just want to pin it down 100%. The industrial, commercial and institutional sector is not affected. This is only flow control at the municipal level. There's still some doubt, though, that this could be misinterpreted down the road. What would your views be if it was more specifically written in—for example, on page 9, I guess, is one place where this comes up—that this does not include the ICI sector? Is there any problem with that, since that's what you're saying at any rate?

Mr Jones: I think I've indicated that there have been some people who have interpreted that it needs to be clarified further, and that this afternoon the minister will give the response of the government.

Mr David Johnson: So we'll wait until then.

You've also indicated that the minister is going to

indicate his response with regard to regional municipalities assuming total waste responsibilities. Shall I wait for that? One of my concerns is that here within Metropolitan Toronto the Metropolitan council could, by a simple vote, without any discussion with the local municipalities, assume all responsibilities of waste collection, including curbside collection, and I don't think that's right.

Is it your statement that the minister is going to address that this afternoon, or should I ask you about that? I think that needs to be addressed.

Mr Jones: Yes. I've also indicated the minister is going to speak about the voting requirements for assumption of waste management powers by the upper tier, yes.

1140

Mr David Johnson: So I should wait and listen to him. Okay.

You say municipalities have complained about the current lack of entry powers on to eligible sites in their site search. Here certainly in the GTA the provincial government has taken over the site search responsibility. I must admit some ignorance. I don't know what happens in the rest of the province. Do the municipalities still have the authority to search for sites in the rest of the province?

Mr Breeze: Yes, In the greater Toronto area, the Interim Waste Authority is involved in the site search, and in Bill 143 that's now the Waste Management Act, powers along these lines were given to the IWA in terms of getting on to properties. Municipalities are responsible for planning. They generally produce 25-year plans and work with us as the waste reduction office in the Ministry of Environment to develop those plans, and one of the problems they have is getting on the land and it can—

Mr David Johnson: So it's your contemplation that the municipalities would continue to have this authority outside of the GTA.

Mr Breeze: Oh, yes.

Mr David Johnson: There's no change contemplated in that.

Mr Ted Arnott (Wellington): Just getting back to the issue of user fees, I listened closely to the Liberal member talking about the level of tax toleration that has been reached and exceeded, and you're saying that user fees would be popular.

Interjection.

Mr Arnott: Is that not what you were saying, that user fees would be more popular and palatable?

Mr Dhar: All I can say is that during the consultation process, there was a lot of support for user fees from a broad spectrum of people.

Mr Arnott: If you wanted to make them very

popular—this is a suggestion—if you say you're going to collect, say, \$50,000 worth of user fees, cut taxes \$50,000 worth in an aggregate amount and tell the people that and then you'll have popular user fees.

Mr Jones: Again, the legislation is permissive. It gives municipalities an alternative to providing for waste management to be paid through the property tax. This broadens the range of ability to be able to charge for waste management. Yes, if a municipality wanted to implement a user-pay system in its municipality, part of the education and the understanding of the public has to be that there's going to be an alternate drop in their property taxes. This is a substitute.

The Vice-Chair: Thank you very much. We'll move on to the government caucus now. I have Mr Wiseman, Mr Fletcher and Mr Mammoliti. It's up to you to choose.

Mr Wiseman: My question is really quite quick. It has to do with the business of garbage and the fact that people who own landfill sites or municipalities that own landfill sites and are able to decide what the tipping fees are can decide what the tipping fees are going to be, out of all relationship to what it really costs to run the facility. Having said that, where is the incentive to these municipalities to divert waste from these money-making, money-generating landfill sites and divert the waste into recycling programs?

Mr Sorbara: Profit is such—

Mr Grandmaitre: Profits.

Mr Wiseman: Profit's a lovely thing, but the point I'm trying to make here is that if a municipality is responsible for running a landfill site and is making huge dollars from it, as Metro does at Keele Valley and Brock West, then where is the incentive to divert the waste from those landfill sites in a more costly but more environmentally sensitive way?

Mr Sorbara: High tipping fees—

The Vice-Chair: I'm sorry, but we don't have a discussion here.

Mr Wiseman: No, no, they make money—

The Vice-Chair: Mr Breeze, did you want to respond?

Mr Breeze: The largest incentive in the things that we've been talking about today is the 3Rs regulations themselves. They will be required to establish these systems and to put them in, so that's perhaps the largest driving force. The second is public pressure. The public are demanding that—

Mr Wiseman: Maybe the second is not to allow them to own the landfill sites, but to have some other agency do it.

Mr Derek Fletcher (Guelph): I'm looking at where we were 10, 15, 20 years ago as far as people getting rid of their waste is concerned. It was throw it out in

the street and it got picked up and no one cared.

Mr Hayes: Even four years ago.

Mr Fletcher: You're right, even four years ago. As we started to progress, we started getting into blue boxes, recycling. People started thinking about composting and the whole idea of being a little more knowledgeable and a little more conscious about what's going on in the environment, and what we're doing as users is something that has really grown over the years. We've all begun to look at the people who manufacture our garbage and the people who get rid of our garbage.

I think that, as far as Bill 7 is concerned, it is another step in the process. We're heading toward a society that, again, should be receptive to this sort of bill. We are moving ahead in this respect. This is another step in the process. Of course we're not going to, because we take a snapshot now, fix every problem overnight. It does take some time and this will take time to implement. When this is implemented, we can refine it somewhere down the road. This is not the catch-all, the be-all, but it's a step in the right direction. Is that it, Bill 7?

Mr Jones: Yes, and Bill 7—let me explain it this way. The waste management puzzle has many pieces. One of the pieces to the puzzle is the municipal sector, and Bill 7 addresses the needs and the wants of municipalities so that they can fulfil their part of the waste management puzzle.

Mr Mammoliti: Here's something else that it does. I've been here for three years and for three years I've heard opposition members stand up in the Legislature and say: "Why isn't the government giving a little more control to the grass-roots municipalities? Why isn't the provincial government saying, 'Leave a lot of your decision-making up to the municipalities'? Change the appropriate laws that would allow that to happen."

I have heard that consistently, even from Mr Sorbara, who is here today. Does this legislation permit for that and, more specifically, doesn't this legislation say if a municipality wants user fees for garbage, then the municipality will decide? Frankly, from what I'm hearing here today, they're almost blaming you as bureaucrats and already anticipating what their municipality is going to decide. To me that's unfair. Does this give them the authority to make the decisions that they have been squawking for for a long period of time? I think the answer is yes.

Mr Jones: In a word, yes.

Mr Sorbara: Who writes your material?

The Vice-Chair: He's got the easy answers whether you're happy or—

Mr Sorbara: My friend from Yorkview needs a new scriptwriter.

Mr Mammoliti: As long as you understand it, Greg.

Mr Sorbara: I want to get back to incineration and

the government's virtual ban on incineration and a comment made I think by Mr Breeze earlier on about the purpose of the ban being to encourage reuse and recycling. He gave me the example of cardboard, I think, how it's better to make more cardboard out of cardboard than to have a competing incinerator hungry for that fuel to generate power. We don't have 4Rs any more, I say parenthetically. We've eliminated recovery. I think that was a foolish mistake, by the way. But be that as it may, why do we still allow people to burn firewood in Ontario?

Mr Fletcher: That's a good question. I think we should stop that.

Mr Breeze: If we look at the regulation, what it bans is the incineration of mixed solid waste. It bans the incineration of specific materials. There are exemptions. One of the exemptions—

Mr Sorbara: Wouldn't it be better to—

The Vice-Chair: Could we give Mr Breeze a chance to respond?

Mr Breeze: One of the exemptions is wood, so if a northern mill, for example, wanted to incinerate the wood that was left, they would be able to do that. There's a recognition that when you're dealing with clean wood, you're not getting the levels of contaminants that would come up a stack when you're putting plastics and a lot of other materials in there, where you will get high levels of contamination.

Mr Sorbara: You made the argument that you wanted to reuse cardboard rather than use it as a fuel. The wood logs that I put in my fireplace could be cardboard three or four times before I burned them. Based on the arguments that you made, we should be banning the burning of firewood. After all, compared to modern technologies of incineration with scrubbers and all of those facilities, the average household chimney or fire-burning cookstove is a terrible pollutant to the environment. Why do we allow that?

Mr Breeze: I'm not an air expert. What I can say, though, is that exemption for wood incineration recognized that there are large amounts of wood wastes in northern Ontario, that in fact—

Mr Sorbara: No, no, no, no. I'm talking about southern Ontario. We burn more wood in southern Ontario than we do in northern Ontario. We burn wood in fireplaces, in cookstoves, in wood furnaces. We burn a whole bunch of it. You're saying to me it's okay to burn firewood.

1150

Mr Breeze: It's okay to burn wood in incinerators as well. That's one of the exemptions—

Mr Sorbara: But you're saying it's okay to burn firewood, but we don't want to burn cardboard, which was potentially firewood before it became cardboard.

Mr Fletcher: It's processed.

Mr Breeze: It's already processed. You've got a material that you can put right back in to produce other cardboard, produce boxes, produce other useful materials from it.

Mr Sorbara: It took 50 years to grow the trees. Why don't we make it into cardboard before we burn it, instead of allowing people to burn it in their cook-stoves?

Mr Fletcher: Because when you process it, it is cardboard.

Mr Sorbara: I wouldn't hire Fletcher as your alternate, by the way.

The Vice-Chair: Mr Sorbara, any other questions? You have a minute left.

Mr Sorbara: No. I'm just waiting for an answer for that.

Mr Breeze: I'm not sure I follow the last line of questioning, I'm sorry. Perhaps you could repeat it.

Mr Sorbara: You said to me that one of the reasons for discouraging incineration is to keep products like cardboard out of incinerators as fuels so that we can encourage a market for reuse of cardboard so it can be cardboard again. I'm telling you that the cardboard, before it was cardboard, was a tree, and lots of people burn those trees, and you're saying that's okay, even in the unscrubbed chimney situations of the typical wood-burning cookstove or woodburning fireplace or wood-burning furnace. You can do that, but heaven help us if we burn cardboard, which is the tree having gone through one generation of use. Does that make any sense?

Mr Breeze: Well, there are two things on the table, and one is, should we be banning fireplaces in the province? I don't know if that's the proposal, to ban fireplaces. I think what we're talking about is incineration, and should we be banning incineration for wood wastes?

I think in your question I'm getting a sense that, should we not be taking that wood waste that's going into the incinerator and making it back into paper? I'm not so sure that you can. The kinds of wood wastes that are generally being dealt with are mixed woods. It's bark off of trees, it's materials like that which the exemption in the regulation is allowing to happen. I'm not sure, and I'm not an expert, that it can go back into cardboard.

The Vice-Chair: Thank you very much. The time has expired for the Liberal caucus. Mr Johnson. That's probably going to be the end of this morning's discussion.

Mr David Johnson: Getting back to the user-pay again, I must say I'm not totally opposed to user-pay. You have to put up a good front here, but nevertheless I can see there may be some merit in it.

I wonder if there's been any really legitimate study into the administration costs of the user-pay system, because if the municipalities have a problem with it, it's going to be, one, that it's going to be viewed as an extra tax, no question about it. You can tell them that their tax bill has gone down accordingly, but 99% of the people won't believe it. They'll just see it as an extra tax. Number two will be a real concern of administration costs; you know, extra bureaucracy and costs to the taxpayer. Have you done any legitimate study on that?

Mr Breeze: User-pay systems have been looked at. I can't quote any of the studies, but there are ways of reducing those costs. If you're going to weigh each bag and then charge it up at the truck and then roll it back out through some kind of bill, that could prove to be very expensive.

Some jurisdictions, in Germany for example, are looking at and starting to use those, so they're not beyond question, but there are ways of doing it more cheaply. For example, you offer to the public once a year, or at regular intervals in the year, a number of bags. So they simply go and they get 30 or 40 bags.

Mr David Johnson: Is that the kind of system that's in place in Seattle?

Mr Breeze: So there are no additional administration costs other than the provision of those bags. If the public generated more waste than the bags they've just been given, then they would have to go and buy those from the municipality. The municipality is only then involved in selling bags, which is a very low administrative cost.

Mr David Johnson: Okay. One other topic then. In terms of the general issue of waste management, of course, a good chunk of the waste now is going south to the United States, and Metropolitan Toronto has asked the provincial government to close off the border. I think probably the private sector was not so keen on having the border closed off, but I wonder what plans, if any, you have. I know this issue has been before the provincial government for a long time now, and there doesn't seem to be any plan coming forward.

Mr Breeze: There are about 1.3 million tonnes of waste that leave the province and go south of the border, and they're being attracted down south because of the very low tipping fees, tipping fees that, as Mr Wiseman has pointed out, don't reflect the real cost, often, down in the south at \$20, \$30 a ton. They're going down there because of the high cost in Metro. They used to be \$150-odd a tonne, \$150 to \$170, and now that's gone down to \$80, \$90 a tonne. So it's likely with that reduction in the tipping fees by Metro Toronto that we're going to see much of those wastes returned.

Mr David Johnson: Not much, a little bit.

Mr Breeze: Control of the provincial border is not a provincial responsibility; it's a federal responsibility.

Transborder movement falls under the federal government, and our minister wrote to Mr Charest, the Minister of the Environment federally, and asked him to take action to control the border.

Mr Charest wrote back about a week and a half ago and he said, first of all, they accepted that responsibility. Second, they talked about putting in place a voluntary system of control, and third, they're talking about potential amendments to the Canadian Environmental Protection Act that would provide on a legislative basis that measure of control.

We're looking to the federal government to implement such a system so that the borders can be effectively controlled.

Mr Wiseman: I have a quick question for the blue box. Why are we not including in the collection of the blue box aluminum foil, aluminum ladders, aluminum chairs and all of those things that we've been told would make the blue box a little bit more economical because aluminum has an infinite reuse.

Mr Breeze: There are two lists in the regulation. List 1 is what is mandated, and it's aluminum, glass—that's aluminum beverage containers—PET, ferrous and old newsprint. We have list 2 where all of those other materials you've talked about are included in the regulation, and we're encouraging municipalities to pick up, especially those where they in fact can generate additional revenues. They're required by the regulation to pick up any two.

Many municipalities will do exactly what you're proposing, pick up those where the biggest revenues are.

Mr Wiseman: That's aluminum.

The Vice-Chair: Thank you very much. The committee now stands adjourned, and thank you very much to the representatives of the two ministries. I thought it was a very interesting exchange this morning and, again, thank you for coming.

The committee recessed at 1157 and resumed at 1539.

The Vice-Chair: Before we start with the presentation from the minister, we have a bit of business of the committee to do. Your subcommittee met just before the opening of this meeting and reviewed the list of groups that will be contacted for hearings as time progresses. I understand the clerk has distributed the list of possible presenters, and I think Mr Mammoliti has a motion.

Mr Mammoliti: I move adoption of the subcommittee's latest report. That's the list of witnesses.

The Vice-Chair: All in favour? Opposed? Carried.

It's my pleasure to welcome the Minister of Municipal Affairs, the Honourable Ed Philip.

The minister has informed me that he does have to leave by around 5 o'clock. If that's agreeable with the committee, that gives us an hour and 20 minutes. If

there are further questions, perhaps some of the ministry officials might be able to answer some of those questions.

Mr David Johnson: We can have a discussion on that if we come back a second day, I guess.

Hon Ed Philip (Minister of Municipal Affairs): That's fine. We could do that. If it looks like we're going to run over 5, I'd just like to be able to call my office and reschedule something back there, that's all.

The Vice-Chair: I would say that's reasonable and I'm sure it's agreeable to the committee. Mr Minister, if you want to make an opening statement and then, as in the morning, we'll open it up for questions from the members.

Hon Mr Philip: Fine. I don't know who may be familiar with the staff I have here, but Bill Freeman is my policy adviser; he's sitting beside me. As you know, this is in many ways much more an environmental bill than a municipal bill, and we do have staff from the Ministry of Environment and Energy. Bob Breeze is the acting director back there, waving, with the white shirt and grey suit. Scott Gray is solicitor for the legal branch of my ministry; I see he has arrived. Satish Dhar is the senior policy adviser in local government policy branch. Paul Jones is the manager of the local government policy branch in the Ministry of Municipal Affairs.

For any of the technical questions and so forth, you may feel free to direct your questions to them. By the same token, if they feel that any of my answers need elaboration, no doubt they'll want to add to what I've said. I'll try to make my remarks as brief as possible because that'll allow a maximum amount of dialogue.

In 1991, the government announced the waste reduction action plan designed to reduce the amount of waste sent to disposal facilities by at least 25% by 1992 and by at least 50% by the year 2000. The province met its 1992 target. Earlier this year the Minister of Environment and Energy announced 3Rs regulations, and these regulations are intended to help the province reach a 50% target by the year 2000.

The new regulations will save money on waste disposal, simplify approvals for recycling facilities and, ultimately, by the year 2000, reduce Ontario's garbage production by about 2 million tonnes a year. That's up to 200,000 truckloads of garbage for which we won't need any landfill space. That's vital today, as we experience dwindling waste disposal capacity.

The regulations will require blue box recycling, composting of leaf and yard material and home composting programs for municipalities with a population of more than 5,000. Large industrial, commercial and institutional waste generators will have to do waste audits and waste reduction work plans and implement recycling programs.

A large number of groups, including the Association

of Municipalities of Ontario, participated in the development of these regulatory requirements. The 3Rs regulations are among the most ambitious of any jurisdiction in North America.

Although municipalities are now required to undertake the 3Rs program, and indeed a great many have been undertaking them for some time, they do not have all the full range of waste management powers that are necessary to do so. As well, several municipalities, along with the Association of Municipalities of Ontario, have asked for increased powers.

What Bill 7 does is to provide all municipalities with expanded powers to develop comprehensive waste management systems, including the powers needed to engage in a wide range of 3Rs activities. It includes amendments to the Municipal Act, the Regional Municipalities Act, 13 regional acts and the Municipal Affairs Act. Let me provide some of the specifics of the enabling legislation.

Under the amendments to the Municipal Act, municipalities can establish and operate facilities for all waste management activities: collecting, reducing, reusing, recycling and waste disposal. They can charge user fees for waste collection and disposal. They will now have entry powers into potential waste management sites, such as candidate sites for landfills to conduct surveys and soil tests; these entry powers, of course, are balanced to ensure that the rights of property owners are protected. Penalties for breaching the municipal waste bylaws have also been increased, and municipalities can engage in research and development and market products made from the waste materials.

The legislation goes even further.

Even in areas where 3Rs powers already exist, they are vague and unclear about how the powers are distributed between the two tiers of municipal government in counties and regional municipalities. Bill 7 addresses this issue. It states that whatever level of government is responsible for waste disposal sites also now has the power to operate the 3R facilities.

Whatever level of government has the power to collect waste now has the power to collect recyclables. Generally, the responsibility for collection of both waste and recyclables remains with the lower tier, while processing and 3Rs facilities move to the upper tier.

Bill 7 will enable counties and regions where there is no direct election to assume collection functions, but only if a majority of the council, representing a majority of local municipalities, votes in favour. In regions with direct election, a majority vote of the regional council is required.

You've heard concerns about the process by which upper-tier municipalities can assume any or all waste management functions, and I can say this very honestly: We are quite willing to consider alternatives to the

voting requirements proposed in this bill. We look forward to hearing various people's suggestions on the issue and to hearing from you if you have some other ideas of how this can be handled. We'll certainly consider if you wish to move any amendments that you feel will be more satisfactory.

The legislation also allows municipalities to charge user fees. People pay for garbage services now through property taxes, but under this legislation, municipalities would be allowed to compute and to levy what they feel are fees in a different way, but only of course if they choose to do so.

Since Bill 7 was introduced, we've had discussions with the Association of Municipalities of Ontario and the Ontario Waste Management Association. As a result of those discussions, we are prepared to introduce an amendment during clause-by-clause debate that would further clarify that municipalities shall not have flow control powers.

I know there are concerns about the cost of the blue box program, and we have been asked why we are giving additional powers to municipalities when there seems to be too little money to pay for the 3Rs program. I'd like to make a few points related to the cost of the recycling programs.

First of all, the vast majority of municipalities that will be required to operate the blue box programs are in fact already doing so. Only 12 municipalities face significant costs that they aren't already paying.

Secondly, Ontarians spend about \$33 per household per year on the blue box program. That's less than a dollar a week. In Durham region, for example, the net cost of the program, after the sale of recyclable materials, works out to only 15 cents per resident per week. I don't need to remind anyone about the high cost of finding new landfill sites and bringing them on stream when current sites are full. Beside that cost, the cost of recycling is a bargain.

Thirdly, in spite of the fiscal pressure that led to the government's expenditure control plan, the level of Ministry of Environment and Energy funding for blue box programs has been maintained.

Finally, the people of Ontario, I think, want their municipalities to operate recycling programs. Polls have shown people would be willing to pay a little bit more to reduce the amount of garbage that goes into their landfill sites. There's no free lunch. It's a matter of either you pay now or you pay later, and I think the people understand that. People who attended the hearings we held before drafting the legislation strongly supported these recycling programs.

Still, I'm sympathetic, empathetic, to the plight of some municipal governments. I understand that there are those who worry about the costs of the blue box programs and about funding further initiatives, and I think

the private sector realizes this too. The government intends to see that we all work together to ensure that municipalities do not shoulder an unfair share of the costs of waste reduction and are not excluded from the financial rewards.

1550

We're working with municipalities and industry to establish stronger markets for materials collected in the 3Rs program, to increase municipal revenues from these programs. There are revenues and certainly benefits to be had in doing that. Businesses are beginning to realize that garbage is not just a problem but is also a resource and that reduction, reusing and recycling make good business sense.

We are also looking at ways to apply the "polluter pays" concept to waste reduction. Those most responsible for introducing single-use disposable products and packaging into the marketplace have a parallel responsibility for the costs of diverting this material from disposal. This will ensure a fairer distribution of waste reduction costs.

Our government believes that not only is it possible to hit our target of 50% reduction in waste by the year 2000 but it's possible to do so in a way that makes good sense for the environment but also good economic sense. This bill is a vital part of our plan to make it happen.

I'd be happy to hear your comments and suggestions—they certainly will be taken very seriously by my staff and myself—and answer any questions, as will my staff and the staff of the Ministry of Environment.

The Vice-Chair: Thank you very much, Minister. With the agreement of the committee, perhaps we'll follow the same procedure as this morning, that we give to each caucus five minutes for questions and we rotate. If this is agreeable, we'll start with the official opposition.

Mr Grandmaître: Mr Minister, let's talk about user fees for a minute. Do you consider user fees as an extra tax?

Hon Mr Philip: No.

Mr Grandmaître: You don't? Can you explain this to me?

Hon Mr Philip: Yes, I think that you pay no matter how you do it. The municipality has a right to charge its costs in whatever way that is necessary, that it sees fit and that benefits its community. Whether you pay out of taxes or whether you pay out of a user fee I think is a local municipal responsibility. The one thing we do know, however, is that in some jurisdictions, such as parts of the United States, where user fees have been used, even in a discretionary way, such as we are suggesting, they are a strong motivator for people to recycle, to be more conservative in how they dispose of things. In fact, it has reduced the amount of waste. I

think it's got to be a local option and local municipalities have to make that decision on their own.

Mr Grandmaître: I realize, Mr Minister, that this is enabling legislation providing municipalities with the power to charge user fees. Was it the choice of the majority of municipalities in the province of Ontario to go to user fees instead of increasing property taxes?

Hon Mr Philip: Of course I'm just the new minister and consulting with the municipalities. I don't know whether it's a majority or not, but certainly when you introduce enabling legislation, what you're aiming at is not the majority. The enabling legislation allows municipalities, or whatever body you're putting in the enabling legislation for, to adapt a system to their needs. Therefore, whether there was a majority or whether there was just a strong number of municipalities that asked for that—and some of them did—then the enabling legislation simply allows those who feel that it's important to use it and those who don't feel it's important not to use it. I think that's the kind of flexibility that we as a government see as necessary in our relationship to the municipalities.

We're not forcing this on anybody. If you want to use the user fees, fine, in the same way that when I introduced my community economic development proposals yesterday, we're not saying that every community has to develop the program, that every community has to have an investor program. Hopefully there will be 35 or 40 communities of interest that will decide this is a way of stimulating business. Those that decide not to do that, then that's their choice, but we have to give vehicles and some flexibility and that's why we have enabling legislation.

Mr Grandmaître: I realize it's only enabling legislation, but at the same time you're telling maybe 77% or 78% of our municipalities of over 5,000 population that they should have this program. Aren't you imposing a new tax?

Hon Mr Philip: No. They're paying for it anyway. Garbage costs municipalities money.

Mr Grandmaître: But with this additional program, this will increase the cost.

Hon Mr Philip: Why? What proof do you have of that?

Mr Grandmaître: Well, tell me otherwise, because on page 6—

Hon Mr Philip: On the contrary then, I—

The Vice-Chair: If we could perhaps, you know—question-and-answer type of thing.

Mr Grandmaître: Well, he's asking me questions. I thought it was the reverse.

Hon Mr Philip: When completely unfounded assertions are made, then I think I have a right as the minister to ask what the database is.

The Vice-Chair: You have a right to do it but in the proper order. Who was next here?

Mr Grandmaître: I was.

The Vice-Chair: I think Mr Grandmaître was—

Mr Grandmaître: I was trying to answer his question.

Hon Mr Philip: Mr Grandmaître I've known for a number of years and he's such a friendly fellow that I'm not going to be provocative with him. I'm just asking him to supply me with any evidence.

The Vice-Chair: One final question, Mr Grandmaître.

Mr Grandmaître: Then my final question: Mr Minister, can you refer to page 6 of your statement?

Hon Mr Philip: Page 6 of my statement. Okay.

Mr Grandmaître: Yes, the third paragraph:

"Still, I understand the plight of some municipal governments. I understand that there are those who worry about the costs of blue box programs and about funding further initiatives." This is gone. "I think the private sector realizes this too. The government intends to see that we all work together to ensure that municipalities do not shoulder an unfair share of the costs of waste reduction and are not excluded from the financial rewards."

Can you tell me about the financial rewards?

Hon Mr Philip: Yes. We have a number of financial rewards that we've worked on with different municipalities. For example, in my own municipality of Etobicoke we're just encouraging it with a new system of collecting garbage and recyclable on the same truck. That initiative, which was sponsored, I believe, by the Ministry of Environment and Energy, in fact is developing a way which is a more economically efficient way of dealing with it, will reduce its costs and we think will act as a pilot project to help other municipalities.

We have numerous incentives in terms of research that is available through the former Ministry of Industry, Trade and Technology, through the Ministry of Energy, working with municipalities at reducing pollutants, such as air pollutants in the case of transportation research projects.

We have heavily subsidized our own research institutes to develop energy-efficient and waste-reducing new products. An example of that, of course, would be the program at Ortech International in which we are putting money into finding ways of recycling pharmaceutical containers, and some municipalities are working with us. There are a number of incentives like that available both to private enterprise and to municipalities through the government.

Mr David Johnson: Maybe just to follow one step further, you're talking about grants to municipalities, I gather. When you're talking about financial rewards,

you're talking about grants to municipalities to establish new technologies or new systems?

Hon Mr Philip: Yes. There's also the ability to sell the material and we've been working closely with municipalities to find new product uses and new markets. Of course, we're finding that we're being so successful in some areas, such as newspaper recycling, that we're even making a profit out of taking newspapers from the United States, recycling them here and shipping them back to the United States.

Mr David Johnson: Could you give us a few more examples of how you're working with municipalities to find new markets and to find new materials that can be recycled?

Hon Mr Philip: Yes. Bob has been working closely on that program. Bob, could you take a microphone and just go through the litany of some of the programs we were discussing earlier today?

1600

Mr Breeze: I'm Bob Breeze, director of the waste reduction office, Ministry of Environment and Energy.

There are a number of programs we have in the Ministry of Environment, what we call the industrial waste diversion program, and we fund industry to come forward with innovative technologies that will take blue box materials and put them to new uses. One of the examples that I talked about this morning was Domal, where they take 36 tires to develop a mechanism that will reduce the maintenance costs that municipalities are incurring.

Mr David Johnson: Yes, we heard that one.

Mr Breeze: So Domal is an example.

Resource Technology Inc is another tire-crumbing facility where we invested, I believe, \$1.5 million and it will recycle about 1.5 million tires per year from the economy. So markets are being developed through the industrial waste diversion program.

In addition to that, we have what we call our material utilization strategy teams. The waste reduction office chairs four separate teams. One is for construction and demolition waste, one is for paper fibre, one is compost and the other one is plastics, and we work with all of the stakeholders on developing markets and finding ways of making it happen. Some are financial, some are technical, some are simply cutting the red tape.

Mr David Johnson: Have you any estimate of the volume or the tonnage of materials that these studies would correspond to? In terms of tires, for example, you've said—I forget—so many numbers of tires, but is that convertible into tonnage?

Mr Breeze: It's tough to convert it directly to a tonne, but our sense is it works out to about—we have about 400 projects. We think we're going to divert about one million tonnes.

Hon Mr Philip: I think it's safe to say, as well, that if you were to—

Mr David Johnson: A million tonnes a year?

Mr Breeze: A million tonnes a year, 10% of the—

Mr David Johnson: So what would be the makeup of the million tonnes?

Mr Breeze: It would be tires, plastics, the widest range. The 400 projects address almost all.

Mr David Johnson: Are you including the current tonnage that's in the paper, the cans, the glass that are currently picked up in that million tonnes?

Mr Breeze: The million tonnes is our estimate of what would get diverted from if we add up each of the projects that we funded. So in some cases it might; in other cases it might not.

Mr David Johnson: And that's across the province of Ontario.

Mr Breeze: Across the province.

Mr David Johnson: Okay. Just to shift to another part of that sentence, and I'll have to come back to this next time, but you said that, "The government intends to see that we all work together to ensure that municipalities do not shoulder an unfair share of the costs of waste reduction." Could you tell me what you would consider a fair share for the municipalities to shoulder?

Hon Mr Philip: I think that right now they are shouldering a large section of the costs of disposal of garbage. What we've shown is that through this program, some municipalities are actually reducing their costs of garbage disposal. As a matter of fact, if we take the figures—Bill has them on Brockville, is it? I have some figures here I can provide you with. He actually shows that their costs of disposal are going down. For example, in Belleville, the net blue box revenue was \$144 a tonne and the cost of disposal was \$159 a tonne, for a savings of \$15 a tonne.

In a few places the blue box program has been cheaper than disposal when the provincial grants are taken into consideration. For example, in Metropolitan Toronto the net blue box cost is \$187 a tonne. With provincial grants of \$76 a tonne, the net cost of revenue and grants was \$111 a tonne, while the cost of disposal would have been \$145 a tonne, so there is a saving there of \$34 a tonne, and I could take you through different municipalities.

In those municipalities, however, where there are certain inefficiencies, the Ministry of Environment and Energy is working closely with those municipalities to find ways of increasing their efficiency and therefore bringing down the cost of their blue box programs. The more you bring it down, of course, and the more markets you find and the more research you do which develops new products, then the cost goes down with the blue box program in direct ratio to the cost of

disposing in landfill sites.

Mr Hayes: I don't have a direct question for the minister; I'd just like to make a comment in regard to user fees. I was just thinking of some of the municipalities over the years that have had, and some of them still do, water lines, for example, and have set flat rates; in other words, everybody paid the same regardless of how much water they consumed. I think a good example is my own municipality, in Maidstone, where I've seen people water their grass 24 hours a day in the hot weather, and after they came along and installed water meters, you didn't see that sprinkler running very often. That's an example right there. If you want to call that user-pay, well, that is user-pay, but it also cut down on the consumption of water and actually people pay their fair share on what they use. I think this is what we're looking at here.

The other thing is that it's not the upper tier that decides on the user fee; it's the lower municipality that decides whether it uses the user fee or not.

Hon Mr Philip: I agree. The experience in private enterprise, if you want it to be analogous, is that condominiums that installed their own meter system for electricity and gas have found that the total cost has gone down substantially. That's true also of private enterprise, apartment houses, where putting in individual meters actually decreases the cost because people become more conscious of the cost.

Of course, there are members in the House, I think in all three parties, who say that maybe as a way of impressing on people the cost of medicine, it would be useful if once a year there was a computer audit that said, "This is what you ran up in OHIP fees and here's what you received for it"; that it might make people more conscious of how they use the system.

The Vice-Chair: What about meters for parliamentary speeches?

Hon Mr Philip: Well, considering who's speaking at the moment, I won't use an analogy about gas consumption or anything like that.

Mr White: Minister, this may be a question you wish to defer to one of your staff or perhaps Mr Breeze.

Hon Mr Philip: I prefer those questions.

Mr White: I'm really struck by the difference in costs per tonne on recycling. I mean, we have a range of \$109 to \$245; \$245 is unfortunately the cost in the regional municipality in Durham. I can't understand for the life of me how it is that that program is so expensive. How can the ministries of Environment or Municipal Affairs help people understand better ways of administering these programs? It seems to be a major difficulty.

Hon Mr Philip: There is a variety of reasons why different programs cost different prices. One is that the larger the program, there are some efficiencies in size;

there are some efficiencies in how far you are from a potential market, so distance plays a role; transportation costs, if you're transporting heavy materials like glass; and of course the type of collection and processing.

This is a very good opportunity for the Ministry of Environment to work with some municipalities to find ways of reducing those costs. That's why, as I said, there are experiments being promoted by the Ministry of Environment in certain municipalities, and as we find new and more efficient ways of doing it, such as the Etobicoke experiment at the moment, we'll be able to take a municipality that is high—you mentioned Durham is at about \$245 a tonne—and help it to reduce it considerably.

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Mr White: So the Ministry of Environment is actively working to help municipalities learn more efficient administration of those programs?

Hon Mr Philip: Yes. I'd ask Bob from the Ministry of Environment to give some additional information on some of that.

Mr Breeze: We have a material recycling support program where we fund up to 100% per demonstration project. On the example that Mr Philip brought forward, Etobicoke, we're paying 100% of that cost. Another municipality that would come forward with other demonstrations could be considered under that program as well. We try to carry those demonstration costs.

Hon Mr Philip: You'd better go after Durham. They cost too much.

Mrs Joan M. Fawcett (Northumberland): Minister, questions have been raised to us around the subject of organic waste and the targets being set for commercial businesses such as fast food outlets and doughnut shops and how they are to deal with their tonnes of waste. It's my understanding that now there's only one facility that will process this. It's really causing concern to these businesses, because they don't know how they're going to be able to meet the targets set out and the increased costs to them to transport this to this only one facility. Are there plans to open new facilities or to assist them in some way or relax that? This is a real concern to them, because the extreme cost is really going to cut into their already beleaguered businesses in some areas.

Hon Mr Philip: Bob, you have some updated information on what the Ministry of Environment has been doing on that. It's my understanding that there is next to no reusable products simply being stored at the moment, with a couple of exceptions of contaminated products. Bob?

Mr Breeze: I believe you're referring to the 3Rs regulations that were recently announced by the Minister of Environment. It requires that prescribed industrial, commercial and institutional establishments do two things: first, to conduct an audit and develop a work

plan on how they're going to reduce their waste towards the 50% target; and the second is to source-separate prescribed materials.

In that regulation there is no requirement for any business to meet a specific target or to maximize the diversion through the waste audit and the work plan. The 50% is a provincial target and doesn't apply to one individual company. Each company will do its best towards achieving the provincial target.

As far as the source separation is concerned, there are markets for all of the materials that are identified in the regulations, whether glass, aluminum, ferrous, PET. The markets are reasonably stable and there are no stock-piles at this point in time.

Mrs Fawcett: But what about the organic waste? That was my question, around the organic waste.

Mr Breeze: The regulation for the ICI sector does not cover organic waste. They're required to separate the glass, the ferrous—those things where we know there are markets. There is no requirement for the ICI to compost, at this point in time, the organic waste. The organic waste part of the regulation is only with respect to municipalities. There are two parts to it. The leaf and yard waste must be collected by the municipality, composted and put to a useful purpose. Second are the backyard composting programs. But ICI establishments do not have a composting requirement in the regulations.

Mr Sorbara: Mr Chairman, given that there is just a moment or two left—

The Vice-Chair: A minute and a half.

Mr Sorbara: —I wonder if I could add this minute and a half to the next round, because I have a series of questions that can't be completed in a minute and a half.

The Vice-Chair: I think that's agreeable, if that's agreeable to his caucus members. If they want to give up their time later on, I think that's up to the caucus.

Interjection.

Mr David Johnson: He's going to add his on next time.

Hon Mr Philip: No, I think he wants to take some of the time that's left to Mrs Fawcett on the next rotation.

Mr Fletcher: On a point of order, Mr Chair: We'll give up our time and we'll take the last hour.

Mr Sorbara: You don't understand. I just asked if I could—

The Vice-Chair: I think it's a very reasonable request. Mr Sorbara would like, as it were, to take some of his time that will be allocated in the next round.

Hon Mr Philip: We're using up time to ask questions. Why not let Mr Sorbara's request go? It's a reasonable request.

The Vice-Chair: I would agree, yes.

Mr Sorbara: This morning, I say to the minister, a very articulate manager from his ministry, Paul Jones, in describing the impact of this bill in northern Ontario, said, for example, it would allow a municipality like Kenora to look beyond the organized territory of Kenora to the unorganized territory around Kenora to find an environmentally suitable site in which to instal a waste disposal site. I think that's reasonable and I think, if that's the impact of the bill, that is a good thing.

I wanted to ask the minister, because I don't think a manager can answer these questions of policy, why is it that that regime, that system, that permissive legislation, that legal policy once this bill is passed, is good enough for Kenora and any other community in Ontario, yet in respect of the greater Toronto area the legal regime, the law which applies to the placement of waste disposal sites, requires that the municipality must find a waste disposal site within its own municipal boundaries?

Why is it that the impact of Bill 143, which this Legislature passed almost two years ago, forces a municipality like Peel or York region or Durham to forgo a better site in terms of environmental terms, must forgo that if it's outside its boundaries, in favour of a waste disposal site that is located within the four corners of its municipal boundaries?

Hon Mr Philip: I think I'd start off by saying that first of all, the government—and by the government I mean specifically the Ministry of Environment and Energy—does not support the concept of municipalities siting landfill sites outside their boundaries. However, there are some circumstances, and I can think of Peterborough as being perhaps one, where the municipality has built right up to its boundaries, where there are no landfill sites within the boundaries. The provision of Bill 7 has—let me back up a second.

What the Ministry of Environment and Energy has adopted is a local disposal policy that will ensure that the 3Rs be given full consideration during the planning and the landfill site process. Under Bill 7, it will allow municipalities to obtain lands outside the boundaries, recognizing that in some municipalities, and I gave you Peterborough as an example, there is insufficient land available for landfill siting inside their own boundaries. So we allow for those possibilities.

There is no reason to believe that in the GTA there cannot be an acceptable landfill site. We're not dealing with the situation of Peterborough or some of the smaller northern municipalities. Therefore, we recognize that the province is different in different ways and we expect that there will be a landfill site found within the GTA.

The Vice-Chair: We'll have to move on now to the third party. Of course, in the next round for the Liberals there will be two minutes less.

Mr David Johnson: I wanted to look at the financing, because that seems to be where there is some concern with regard to the future. We were told this morning that the costs right now are broken down such that—this must be across the province; this is operating costs, I gather—roughly 45% of the cost of waste disposal would be borne by municipalities, 35% by the province, 5% to 6% by OMMRI and the rest through sales, so perhaps it was the 3Rs. Was it the 3Rs you were referring to with those numbers? Maybe we should get that straight.

Hon Mr Philip: Maybe Bob should take the microphone. You're referring to something you discussed with him this morning?

Mr David Johnson: Bob, that was the breakdown of the 3R program?

Mr Breeze: That's referring to the blue box program.

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Mr David Johnson: Okay. Municipalities are naturally interested. You said that they're bearing too much. OMMRI of course is interested, in the private sector. They're wondering how much they're going to have to bear, and of course the user-pay has been thrown into the formula as well. What sort of plan do you have in terms of sharing the costs, let's say three or five years down the road?

Hon Mr Philip: We're already sharing the costs, I think I said, in terms of finding new and more efficient ways of doing it. We're paying for research. There's research going on at our universities through our various entrepreneur research programs that I was very actively involved with as Minister of Industry, Trade and Technology.

The basic amount for the blue box is the same as it was last year. New municipalities, and there are 12 that are not part of the blue box program, that have not had anything to do with it so far, will be eligible for those moneys, as others of course go off-stream, having completed their years. We are putting more and more money into research and into processes that allow them to develop new, efficient technologies. It's not unforeseeable that in the future many of these municipalities may well be making a profit out of their garbage.

Mr David Johnson: Let's look sector by sector, then. If OMMRI is funding about 5% or 6% of the blue box program today, what would you envisage about five years from now in terms of OMMRI's participation? Would you see it about the same? Would you see OMMRI's participation maybe at 20% or what?

Hon Mr Philip: I'll refer that to Bob, because I'm not the Minister of Environment.

Mr David Johnson: I'll get the same answer I got this morning then. I was hoping for an answer up here.

Mr Grandmaitre: I thought this morning it was

reversed. You're on the spot again.

Mr Breeze: As the minister announced in his introductory remarks, we're moving towards a polluter pays regime where the people who produce the products, the packagers, the disposable product makers, need to bear a larger part of that burden. We're entering into discussions with those producers to find what the more equitable balance is, and it's premature to say how much is going to end up in the end.

Mr David Johnson: All right. Let's look at the municipalities again, then, since the minister is the Minister of Municipal Affairs. In terms of the municipalities, if they pay about 45% of the cost at present, and I assume you would see that going down, have you got any kind of ballpark figure? Would the municipalities be picking up about a third of the cost in the future, or what do you see?

Hon Mr Philip: We have no way of projecting that, no.

Mr David Johnson: So there's no planning whatsoever in terms of how the costs are going to be picked up. How do you expect—

Hon Mr Philip: There's planning in this sense: We know that the costs of landfill sites are going to go up substantially. This is a cost that unfortunately some municipalities haven't been able to realize, that if you don't pay now, you pay later.

The cost for dumping is not the immediate cost; it's also the cost for controlling that dump site for the next 20 or 30 years after the products have been dumped. If you add all of those costs in, what we're saying is that the cost of dealing with garbage in this way is much less and will continue to go down and have an inverse ratio to the cost of dumping.

Mr David Johnson: Let me ask about the province. The province apparently picks up about 35% of the cost at the present time. Is it your intention that through the user-pay system, moneys would be developed, and that through increasing the burden on the private sector, the province would be phased out of paying for any of the costs of the blue box system?

Hon Mr Philip: No, we haven't said that. I think that's a question you may want to ask the Minister of Environment in the House some day, or call him before the committee. Unless his parliamentary assistant wants to speak.

Mr Fletcher: On some of the things that we're talking about, on programs to encourage markets for recyclable materials, I'm going to first say that in the city of Guelph, in my riding, we're on the way to having one of the first wet-dry recycling plants constructed in the area. It's going to be for restaurants, institutions, households and everything else, to separate garbage and then have it into composting, and we've also run a pilot project on it.

As to compost that's left over, everyone was saying, "What will we do with it?" The city right now is developing markets, and I've noticed in some of the background material that the MOE has already started to encourage other companies to develop markets, and the money that's going out. How is your ministry working along to help develop the markets for recyclables?

Hon Mr Philip: Both the Ministry of Economic Development and Trade—I still want to call it the Ministry of Industry, Trade and Technology—and the Ministry of Environment and Energy have been working at finding new markets for products and indeed at developing new products. One of the things that we have done is that we have sponsored a number of conventions and participated in them in order to not only sell the products but also to export the technology as it's developed.

When I, as Minister of Transportation, announced the rubber crumb plant in Cambridge, I was able to pull the Hansard from 1976 in which I had given a speech showing that the Saskatchewan government at that time was using rubber crumb in the roads and that its experiments had shown it would work. Suddenly, years later, after I had given that—it was probably the first speech in the House advocating that process—we were able to implement it.

There are a number of strategies like that, and I'm sure the Ministry of Environment and Energy would be happy to elaborate on a few of the other projects that are going on.

Mr Fletcher: I know that once a wet-dry recycling facility is in full swing, it's going to eliminate 50% of the waste that goes into a landfill site, which is great, because we're looking for a landfill site now. The city of Guelph has been directed to look within its city boundaries and I think that's going to be an interesting proposal.

Also, once we start getting into developing markets, are we looking at international markets? This is an area of good economic growth if we get behind and start pushing and start helping industries to develop along these lines. I want to know, is there a long-term plan that your ministry is looking at to help start developing some of these?

Hon Mr Philip: We already have entered the international markets. We are actually importing newspapers now from the United States because our newspaper recycling programs have been so successful that we can't eat up all the newsprint in Canada. When I was in India, one of the major requests was for technology and the cost of our shipping recycled newsprint over there, because with their high literacy rate and their low amount of paper production themselves, they simply don't have enough newspapers for everyone who wants to buy a newspaper. There's a major market in some of

the developing countries for newsprint, a market that is insatiable and in fact can't deal with it.

The only problem we do have right now, as I recall, is the sheet glass, and that is related to ups and downs in the construction industry, but that surplus is expected to be eaten up in the next two years.

Mr White: Actually, representing the riding that has the largest recycler of newspapers, Atlantic Packaging in Whitby, that's a very interesting response and I'm very pleased to hear it, but it leads into my question, which is about the issue of waste. We seem to be hearing on a regular basis about waste being exported to the United States. How would this legislation affect the export of garbage or waste to the United States of America?

Hon Mr Philip: What I can do is share with you a letter that my colleague Bud Wildman wrote to the Honourable Jean Charest, Minister of the Environment, in Ottawa. Would you like me to read the whole thing?

Mr David Johnson: We heard it before.

Mr Grandmaître: We heard it last Saturday.

Mr White: With respect, it was me who asked the question, Mr Minister.

The Vice-Chair: Could we have some order, please. Minister, if you'd table that with the clerk, I'm sure it will be distributed to the committee.

Hon Mr Philip: I'll be happy to.

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Mr Sorbara: I need some more clarification on the discrepancy and the difference between the way in which GTA municipalities are dealt with under the law of Ontario, and all other municipalities, under this bill that we're considering now.

This bill allows municipalities to search wherever it is appropriate for locating an environmentally safe landfill site and, as you say, that is constrained only by a policy that the site should be as close to home as possible, not necessarily within municipal boundaries but as close to home as possible.

The law that applies to York region, if I might paraphrase it, is that it doesn't matter how difficult it is to find an environmentally safe site within municipal boundaries, you must find the site within your boundaries.

Why is it not appropriate that York region and the other four GTA regions couldn't be governed by the same policy which says, under Bill 7, you may look around for the best environmentally suitable site and the policy is, it should be as close to home as possible? Why do you treat GTA municipalities differently than you treat all other municipalities?

Hon Mr Philip: I find your comments absolutely fascinating, if not humorous. If you think that shipping to Kirkland Lake is shipping to the nearest possible site,

then you don't know very much about the geography of Ontario. It's shipping garbage up to northern Ontario. Way up into northern Ontario is hardly the closest possible site.

Mr Sorbara: With respect, I'm not advocating Kirkland Lake here. What I'm saying in respect of York region is that if there is an environmentally suitable site, let's say in the municipality of Simcoe county or just beyond Lake Simcoe—

Mr Fletcher: Not in my backyard.

The Vice-Chair: Order. Mr Sorbara has the floor.

Mr Sorbara: —or three miles beyond the border of York region, if there is a site there that is, in environmental terms, more suitable than sites that are available in York region, York region and Metro are required to forgo such a site in favour of a site within municipal boundaries. That seems to me to be inconsistent with the policies of Bill 7 and the opportunity and the flexibility that every other municipality has to search for the most appropriate site in environmental terms. Why would you make that distinction?

The Vice-Chair: Let the minister respond and that will be this round for the Liberal caucus.

Hon Mr Philip: For a couple of reasons: First of all, Bill 143 is not before us and it's not the bill that I'm dealing with and that, as the Minister of Municipal Affairs, I have responsibility for carrying, but I just don't believe in catering to the not in my backyard philosophy. That encourages pollution. That encourages people not to find solutions. That encourages people not to look at recycling.

If you can ship to Kirkland Lake, and I believe it was the policy of your party to ship to Kirkland Lake—it was certainly the policy of the Conservative Party—to ship hundreds of miles away—

Mr Sorbara: It's absolute nonsense.

Hon Mr Philip: —is a way of allowing people to avoid the basic issue that we have to deal with, the garbage problem.

The Minister of Environment, both this minister and the previous Minister of the Environment, are not convinced that they cannot find a site, that a reasonable site cannot be found, and I just say to you, why not let the process, which is an independent process, work and find out whether or not a suitable site is found? To let some municipalities off the hook, not dealing with the garbage problem, that I say, quite frankly, I think is irresponsible.

Mr Sorbara: That's not an answer to my question.

Mr David Johnson: Just to clarify a little bit, still being new here, it's my understanding that it's our party's—the Progressive Conservative Party's—position that we would like to proceed with the environmental assessment of the Kirkland Lake site, and that's a whole

lot different than just shipping it up.

I guess, since this has been raised, the Interim Waste Authority has spent somewhere between \$30 million and \$35 million looking for a site in southern Ontario, essentially duplicating the efforts that Metropolitan Toronto and the regions have gone through at another great cost.

The likelihood, the almost certainty, is that you won't find a site that will be acceptable in southern Ontario. There will be tremendous resistance, there will be legal lawsuits, there's going to be all kinds of problems, and we're just watching with glee as you go through this, because politically there's going to be a huge price to be paid to ramrod a site into southern Ontario. And if at the end of the day it doesn't work out, as just about everybody's predicting—we know the Ministry of Environment and Energy is opposed to an environmental assessment at Kirkland Lake; I wonder what Municipal Affairs would say, given that Municipal Affairs has some responsibility in terms of ensuring that a vital service like that can be carried on for the municipalities in southern Ontario. I wonder if Municipal Affairs would be able to look at other alternatives such as an EA for Kirkland Lake or such as an EA for incineration.

Hon Mr Philip: The polls have shown that the people in northern Ontario, and indeed in Kirkland Lake specifically, do not approve of that policy, and we, from an environmental point of view, don't approve of the policy because we think it lets people off the hook in dealing with the real garbage problem.

So the people of Kirkland Lake don't want the garbage. We think that the optics of shipping garbage hundreds of miles away is, to us—and forgive me, because I've read a lot of Rudyard Kipling—but I think it's a form of neocolonialism in the south shipping their garbage to the north, and I think the whole thing, then, is just absurd.

Let's deal with the problem here. We're the ones that are consuming those products; let's find ways of recycling them, and we're being successful in finding new ways of doing it. So let's deal with our own problems in our own backyard and not ship the problem to someone else.

Mr David Johnson: Well, the referendum certainly in the last election indicated that the people of Kirkland Lake were supportive of proceeding with an environmental assessment.

Hon Mr Philip: I'm sorry; the referendum did not show that.

Mr David Johnson: Well, that's certainly the information I have.

Now, getting back to the figures you quoted—

Hon Mr Philip: No. On this, I won't let you get away with that.

Mr David Johnson: Who's got the floor?

The Vice-Chair: Mr Johnson has the floor.

Mr David Johnson: All right. Well, I'd be happy to supply it, but I think I've got the floor.

The Vice-Chair: Mr Johnson has the floor.

Mr David Johnson: The figures that were quoted: Well, look at the situation in North York. In Metropolitan Toronto it costs about \$200 a tonne to collect recyclable material and the revenue generated from the material is about \$20 a tonne. I think that's where you got your \$180 from, roughly, that you quoted earlier in the afternoon. So there's a shortfall in terms of expense over revenue, as I understand it, of over \$150 that the taxpayer is going to have to pick up now.

I wonder what steps you're taking and the Ministry of Environment and the government is taking, and what realistic steps are there that the revenue generated from the blue box material would ever come close to the cost of collecting it.

Hon Mr Philip: I think I've indicated earlier that other municipalities have shown that they are capable of doing that, and we're working with them. I think that the first step that we could take and that North York could take would be if the mayor of North York would stop yelling at the government and sit down and talk in a quiet way and deal with facts and figures rather than rhetoric we might find solutions to the way in which North York seems to have some problems in being efficient in how they run their system. I'd ask Bob maybe to comment specifically on any information he has about North York.

Mr Breeze: Just a comment on revenue. It's unlikely that revenue is going to cover all of the costs. We're going to be looking for either direct funding from industrial associations along the line of the grocery products manufacturers—

Mr David Johnson: You won't even come close.

Mr Breeze: —who are proposing that they will provide top-up funding in addition to the revenues, and that's recognized by industry as well as municipalities.

Mr David Johnson: That's finally been said. It won't even come close.

Hon Mr Philip: May I ask what your solution is?

The Vice-Chair: Mr Johnson has the floor, please.

Mr David Johnson: When we talk about municipalities, most municipalities have recycling programs at the present time. If you look in Metropolitan Toronto, and you may pooh-poo this, but the problem is that a city like North York is having the system funded through Metropolitan Toronto through the waste reserve.

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Next year, less than one year from now, the citizens of North York are going to have on their local tax bill about a \$5-million program, which is causing the

mayor—when you talk about the mayor shouting, that's why the mayor's shouting. He's going to have to find several million dollars in his tax bill next year. I wonder what you would suggest to the mayor of North York that he should do. The shortfall today is being picked up by Metro and next year it's going to have to be picked up directly by the taxpayers of North York.

Mr Mammoliti: Take some of the money out of the theatre on Yonge Street.

Hon Mr Philip: Well, there's no free lunch. He either pays for dumping, and dumping fees are increasing at a very fast rate, or he pays for recycling. I think the public is smart enough to realize that the rhetoric of Mel Lastman on this or any other issue, and the name-calling which he's been doing, is very unconstructive.

We are willing to sit down with him and work at ways in which he can improve his system and make it more efficient, but there is no free lunch. You're going to pay for it either in dumping fees or you're going to pay for it in recycling fees, and the recycling route then is clearly the way to go. We're finding that as we're developing new technologies and as we're working with the municipalities, municipalities are cutting their costs tremendously. I'd suggest that if the mayor of North York wanted to be constructive instead of grabbing a cheap headline in the newspaper, he might like to participate in some of the programs that are available in which we can do pilot projects in North York and help him to reduce his costs.

Mr Mammoliti: Ask him to sell his rings and his gold chain.

The Vice-Chair: Mr Wiseman. I'm sorry, Mr Mammoliti. Mr Wiseman, Mr White.

Mr Mammoliti: If he sells his rings and his gold chain, there is enough money.

The Vice-Chair: Mr Mammoliti. Mr Wiseman, your own colleague, has the floor.

Mr Wiseman: Since the issue of the Kirkland Lake site came up, I decided to go and get the information on the Rail Haul North. It's the economic study done by Peat Marwick Thorne and I have tried to quote it numerous times in the Legislature.

I would like to ask what could be done with \$780 million divided over a 20-year period, which works out to about \$39 million a year, in terms of promoting jobs in recycling in the region of Metro.

Hon Mr Philip: Quite a lot. Let me just give you an example. In terms of plastic, the Ministry of Industry, Trade and Technology sponsored research with a company called Royal Plastics. We are now recycling major amounts of plastic, building plastic homes. We opened up the first—I was there for the opening of the first unveiling, if you like, of some of their products.

We've sold 6,000 homes to Mexico. When I was in India and Pakistan, we've got major interests there. I

was at a reception with some Japanese investors who say they probably have more orders than we can fill at the moment in Japan for these plastic homes. That's the kind of active, innovative creativity this government is promoting and it's developing not just a way of getting rid of our garbage through recycling but developing whole new markets.

The interesting thing is that from a point of view of—and I don't want to be overly schmaltzy about this—but from a point of view of world aid, it's also helping. In Pakistan there's a major problem: Only 30% of the population is literate; only 13% of women are literate. They have a major problem then in building school houses, but school houses are very expensive and they take time to erect. With the Royal Plastics home, we can put up a school house in less than a day. The Pakistan government and the Minister of Education there are very interested in some of those kinds of products we are developing that will help tremendously Third World countries help their own.

Mr Wiseman: Could I just finish this point that I wanted to make on it? The \$780 million that I'm talking about is the cost of shipping 1.5 million tonnes of Metro's waste to Kirkland Lake per year for 20 years. There are other costs, huge costs, that at some point I'd like to explore because apparently the people who support the Kirkland Lake option are just not listening to the economics of it and what the impact would be. There's another \$39 million for container costs. There's another \$780 million, identical amount, just to build the transfer station.

Mr White: I, along with my colleague, am shocked at the cost of \$2.137 billion that somehow Mr Lastman thinks he can take out of his taxpayers. But I'd also like to comment in terms of the recycling that the minister mentioned in terms of product development. I was in the Du Pont plant in my riding, which has now a history of some 25 years in my riding. A lot of the plastics they use now are not virgin plastics, as they refer to it, but are actually recycled plastics that are made into fences and substantive materials. I'm wondering, is it, to the best of your knowledge, that those materials should be used and could be brought out of the waste stream?

Hon Mr Philip: Not only can they be used, and should be used, but progressive companies like the one in our colleague Mr Wiseman's riding, General Electric, actually will argue that it's to their financial advantage to build state-of-the-art, environmentally friendly companies that will meet standards that are far higher than anything set by the present government or than they foresee any government in Ontario or Canada setting for the next 20 years and that it makes a lot of economic sense for them because it's actually a cost-efficient way of doing business, and they're showing high profits by adopting that approach.

Mr White: Indeed, I was very impressed with the

company. There was absolutely no waste in that company whatsoever. It was all part of the process.

Mr Grandmaître: Mr Minister, the bill is very unclear with regard to the private sector involvement. Where do you see the private sector getting involved in waste management?

Hon Mr Philip: Well, the Ontario Waste Management Association has met with us. We've made it clear that we're going to put an amendment to the bill dealing with how it affects private enterprise and their similar concerns of their association. Maybe somebody from the Ministry of Environment might like to come further on that, or from the Ministry of Municipal Affairs.

Mr Jones: As was stated by myself this morning and by the minister this afternoon, Bill 7 does a lot for maintaining the status quo in terms of the players and the way the waste management plays out in our society. The only provision that there seems to be some concern around is whether or not we have clarified clearly enough that there is no flow control for municipalities, and as the minister's indicated, the government will be bringing forward amendments to make it more clear than it is now that in fact flow control will not evolve to municipalities.

Mr Grandmaître: When you say it will make clearer, you're talking about working with the private sector, right? That was my original question. I don't know what you gave me as an answer, but my original question was, where do you see the private sector? What role do you see for the private sector?

Mr Jones: The role that the private sector has now in terms of waste management will continue under Bill 7. It's the status quo.

Mr Grandmaître: "Will continue." Can I stop you right there? Give me three guesses who said this:

"We've got to nip this privatization of waste disposal in the bud. It's a licence to print money that would have profound negative consequences on our efforts to reduce waste and clean up the environment."

Who said this, for a thousand dollars?

Hon Mr Philip: It obviously wasn't me.

Mr Grandmaître: No, it wasn't the minister; it was the Premier.

Mr Jones: In relation to Bill 7?

Mr Grandmaître: In relation to the private sector involvement in—

Hon Mr Philip: I'm sorry, if you have a political question, direct it to me; please don't direct it to the public servants.

The Vice-Chair: Yes, I think that's a fair comment. Mr Grandmaître, do you have a question for the minister?

Mr Grandmaître: Well, Mr Minister, I will keep your answer. It's a good answer, too. Now, what do you

say, Mr Minister, to this kind of quote?

Hon Mr Philip: Well, I have no idea of the context in which the quote was taken. I can give you numerous quotes—

Mr Grandmaître: It was 1990, the election.

Hon Mr Philip: Let me finish, though. I'm willing to listen to your question, but let me at least finish. I can give you numerous quotes by the Premier, and even more by myself, talking about the need for coventuring with private enterprise, the need for entering partnerships with private enterprise. Indeed, if you look at the amount of funding that I as minister was able to provide to private enterprise for research and development and other advances in the first year that I was Minister of Industry, Trade and Technology, it was, I believe, 96% of what the Liberals gave in the last year, in economic good times.

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Mr Grandmaître: Is that a political answer?

Mr White: That's a factual answer.

Hon Mr Philip: You ask a political question, I'll give you a political answer.

Mr Grandmaître: One more question. I agree with you that governments in the past have done quite a bit with the private sector, but now—

Hon Mr Philip: Not nearly as much as this government has.

Mr Grandmaître: Do I have the floor?

The Vice-Chair: Quickly, please, yes.

Mr Grandmaître: Now that the grants program will be eliminated, how successful—

Hon Mr Philip: What grants program?

Mr Grandmaître: I'm talking about the 3Rs.

Hon Mr Philip: They're not being eliminated.

The Vice-Chair: Sir. What was your question, please? Would you rephrase your question?

Mr Grandmaître: The municipalities at the present time—

Mr White: Why don't you ask the question?

The Vice-Chair: Could we have order, please. Mr Grandmaître, please place your question.

Mr Grandmaître: Municipalities were given an incentive to start the 3Rs program in their municipalities, right?

Hon Mr Philip: They knew that it was a three-year program.

Mr Grandmaître: Okay, it's a three-year program.

Hon Mr Philip: Yes, and they're not being eliminated.

Mr Grandmaître: This will continue?

Hon Mr Philip: The program continues and new municipalities that are coming on will in fact receive

those grants. They knew when we initiated the program the length of time of the grants and they voluntarily joined in those programs. The new municipalities that are coming on stream will get the same amount of grants as those that are going off stream. So we're not eliminating grants.

Mr Grandmaître: But what I'm saying—

The Vice-Chair: Thank you very much. I'm sorry, Mr Arnott.

Mr Arnott: To the minister, unfortunately, I didn't hear your whole presentation, but I had a chance to look over it here. On page 4, you talk about the change in this bill—and I think it's an important feature of the bill—to make it easier for upper-tier municipalities to assume the waste management responsibility from lower-tier municipalities.

I believe the legislation that's on the books right now requires a two-thirds vote of county council to have the upper tier or the county level assume responsibility from the local municipalities. What you're doing with this bill is changing that to a simple majority. I'd just like to ask you, why is that specific change necessary?

Hon Mr Philip: As you were gracious enough to say, you weren't here, and I recognize that you had other responsibilities, but what I said earlier in answer to that question was that I'm willing to entertain any suggestions on this. I hope to be consulting with you and with the municipalities, and if they have another formula which they think is more acceptable, we'll be willing to look at it.

Mr Arnott: What about leaving it the way it is?

Hon Mr Philip: That's one possibility that could be proposed, and we'll look at that as well.

Mr David Johnson: In terms of introducing this, I might say that we're very hopeful that you do find a site in southern Ontario. We're very hopeful that the Kirkland Lake site won't be required. But having sat through part of that process at Metropolitan Toronto and seeing the conviction of the people in the communities here within the GTA that they do not want a landfill site in their communities, you've got hold of a buzz saw. I really don't think it's going to be successful.

I even see in the paper today, and I'm sure you read the article, that Metropolitan Toronto doesn't think you're going to be successful and it has allocated some moneys, as an article today, to look at other sites. I think again they're probably looking primarily at the Kirkland Lake site.

At any rate, if your target is going to be met, and we hope it is, of 50% reduction in waste by the year 2000, it's the opinion of many that some very expensive facilities are going to have to be built—material recycling facilities, for example, compost facilities—and these are going to cost, the big ones. I don't know out in the smaller communities, but the big ones, to service large

urban areas such as Metropolitan Toronto and probably many of the other large cities, are going to cost tens of millions of dollars.

Where do you see the money coming from for these facilities? Is the provincial government going to play a role in funding those facilities? Is that money going to come through the user-pay system? Where is that money going to come from?

Hon Mr Philip: I think that's an issue which the Ministry of Environment and Energy is looking at. We in the greater Toronto area, of course, are working on a series of plans of looking at the whole issue. For example, population density is one that we're going to have to deal with because that also will affect the amount of waste that you have and where it is and how you deal with it.

But as a government, we've certainly been putting money into more research and development, into joint coventuring facilities with private enterprise, and I think there are a whole series of things. You're right; there's no easy answer and there's no easy answer to the problem you raised earlier either, and that is that people don't like to have dump sites. No matter how much research you can show that this is the best possible site, nobody wants it in their own backyard.

That's tough politics, but occasionally then politicians have to make decisions based on the best information they have, and you take your lumps when that happens. A decision will be made when the process completes itself, and the Minister of Environment will be announcing it.

Mr David Johnson: There will certainly be some lumps to be taken, but we don't know exactly who they are.

Hon Mr Philip: There will be a lot of lumps to be taken in Kirkland Lake.

Mr David Johnson: It all ties together. I think until you sort of plan this out to some degree, the municipalities are not going to know what to do. The regional municipalities, I believe, are going to have authority to charge the local municipalities for the tonnage they bring in. The local municipalities are going to have the ability to charge the user-pay, maybe to offset that cost, but the regional municipalities, frankly, I think are going to be very reluctant to proceed.

I know Metropolitan Toronto—and I've been there—is going to be very reluctant to proceed with major facilities such as the MRFs or the compost plants until it knows how this whole funding thing is going to work, how much the province is going to kick in, so I think you're going to see a bit of a gridlock until the province lays out a financial plan for the whole waste management area, including the blue box, including the material recycling facilities and including the compost plants and all aspects of the cost of waste disposal.

Hon Mr Philip: Again this falls under the Ministry of Environment and Energy, and you may want to discuss that with him, but I think the minister recognizes that. But I can tell you from talking to the municipalities, the municipalities by and large are very excited about this program. They realize that if you don't pay for it this way, you're going to pay for it in a lot worse form in another way and that you're going to pay for it farther down the line.

Part of our problem has been that in the past there has been no plan whatsoever. What we're trying to do then is to develop a plan for population and a plan for infrastructure and a plan also for garbage disposal.

Mr Mammoliti: Earlier today, I had asked the bureaucrats a question in terms of some statements that Mel Lastman, the mayor of North York, has made in reference to affordability, over the last little while, of the blue box program. I can anticipate Mr Lastman using a property tax increase or some sort of a hike in his property taxes as an excuse to implement some sort of a program that this piece of legislation might enable him to implement. I personally would not accept any excuse for another property tax increase. You know that in North York property taxes are certainly an issue already. We don't need any more property tax increases.

If Mr Lastman had decided to come to the public and say, "Look, I want to implement this program but it's going to cost this amount of money, and for that reason I'm going to increase property taxes," what would you say to him as the Minister of Municipal Affairs? I don't think it's appropriate. What would you have to say to him?

1700

Hon Mr Philip: I'd say to him the same thing I said to him on the radio when he was shouting the other day and calling names about the Premier, that if he's willing to come to this minister or any other minister of the cabinet and sit down and talk about constructive things that can be done, we will work with him. If he's simply going to call names and make wild accusations that cannot be substantiated in research, then he's going to have a problem. But we will get that message out to his voters.

I think one of the things that happened that I noticed was that in the years in which Michael Wilson and I were able to work together, I got more compliments from voters for saying constructive things about Michael Wilson and about how we were willing to work together than for any differences that any of us may have had with his policies about NAFTA or free trade.

I think that the public expects us to work together and not name-call, and we're willing to sit down with North York. I'm able to work with most mayors and municipalities, even though we may disagree from time to time on certain issues. I know that when I was at dinner with Alan Tonks last night we again were talking

about issues that we could work together on rather than any issues that we might have a difference of opinion on. I think that's the kind of thing that gets results, and that's what the voters want us to do.

Mr Grandmaître: On a point of order, Mr Chair: The Minister of Municipal Affairs was good enough to spend an hour and a half with us today, and a few of our questions he couldn't answer. I accept this. He's not the Minister of Environment. Is it possible to have the Minister of Environment appear before this committee?

The Vice-Chair: Mr Grandmaître, I don't think it's a point of order, but if we allow the minister to leave, you may wish to raise this in front of the committee. With the permission of the committee, I'd like to thank the Minister of Municipal Affairs for appearing.

Hon Mr Philip: May I thank members of all three parties on this committee for some interesting questions. My staff and the staff of the Ministry of Environment are happy to meet with you and provide you with any additional information you need.

The Vice-Chair: Could I ask then whether you want to adjourn or did you want to continue the questions with the officials from the ministry—I presume they would be available—or did you want to pose your question now in terms of whether you want the Minister of Environment?

Mr Grandmaître: You ruled out my—

The Vice-Chair: It wasn't a point of order; it's a question.

Mr Grandmaître: It wasn't a point of order, and I respect the Chair, but at the same time, I'm asking the members of the government if they feel, after listening to the Minister of Municipal Affairs for an hour and a half, that some of those questions were environmental questions. I don't expect the Minister of Municipal Affairs to answer for another minister or ministry. I think it would be only reasonable to have the Minister of Environment appear before this committee for one hour.

The Vice-Chair: Does the committee want to invite the Minister of Environment?

Mr David Johnson: I think the honourable member's point is entirely accurate. I wish I'd taken a running count of the number of questions that were asked where the minister rightfully acknowledged that they didn't come within his jurisdiction and that they really involved the Minister of Environment. I think, in view of the large number of questions that fell into that category, it would be most appropriate to invite the minister.

The Vice-Chair: Perhaps for the benefit of the officials who are here from the Ministry of Municipal Affairs, do the members of the committee have any further questions to the officials from the Ministry of Municipal Affairs?

Mr Fletcher: No, I don't have any more questions.

The Vice-Chair: Okay, you are certainly welcome to stay, but if you want to leave, you are free to do so.

Mr Mammoliti: I can recall a couple of meetings with the subcommittee in terms of scheduling and agreements that were made with the subcommittee, and at no time did this particular issue come up with the Ministry of Environment. If at that time the issue would have come up, perhaps we could have found some time to schedule the minister in. But at this particular time, even after today and after the meeting with the subcommittee, I don't see any spot that might be available for the Ministry of Environment.

Could I recommend at this point maybe to jot down some of the concerns you might have, perhaps write a letter from the committee or on behalf of the committee to the Minister of Environment and ask him to respond as quickly as possible to some of the concerns or questions you might have?

The Vice-Chair: It is of course understood that any member of the committee can leave questions in writing with the Chair and with the clerk. The clerk will pass on these questions to the Minister of Municipal Affairs, and he presumably will be forwarding them to someone who can answer. This privilege is always available.

Mr Grandmaître: Mr Mammoliti is trying to lead us in the right path. Maybe we should provide the Minister of Environment with a copy of Hansard and he can answer.

The Vice-Chair: I would hope the minister is reading the Hansard.

Mr Grandmaître: Also, if this is agreeable, Mr Chair, that we get a response for Monday morning, because next week we'll be meeting with groups.

The Vice-Chair: I think that would be a difficult request.

Mr Hayes: I'd just like to say that the questions that were pertaining to Bill 7 the Minister of Municipal Affairs answered quite adequately and some of the questions that were asked do not pertain to Bill 7. Therefore I don't think it's necessary for the Minister of Environment and Energy to come before this committee.

This particular Bill 7 is being carried by Mr Philip, the Minister of Municipal Affairs. I suggest that if they do have some questions, they can put them down in writing or whatever and we'll try to get some answers back to them. But some of the questions were not really pertaining to this bill, in all fairness.

The Vice-Chair: Okay. Again, just to be clear, if there are any questions, that possibility is always there to put it in writing. Mr Grandmaître and then Mr Mammoliti, and perhaps if we can then come to some conclusion, because I don't think we should discuss this till 6.

Mr Grandmaître: I'm not complaining about the answers given by the Minister of Municipal Affairs today. I'm not criticizing his answers. I don't agree with all his answers but, in fairness, he tried to answer all of our questions. I'm not saying that the minister didn't do a good job. The minister said honestly: "Hey, this is an environmental question deriving from Bill 7. This is an environmental bill driven by the Ministry of Municipal Affairs, driven by the minister himself."

In all fairness, there are environmental questions attached to Bill 7, and I'm just asking a very fair question: Can the minister answer those questions by next Thursday?

Mr Mammoliti: I want to make a comment, Mr Chair.

The Vice-Chair: Just a minute. If I could make a proposal, the subcommittee which normally deals with appearances before the committee might want to take a look at this and see whether something can be arranged and also can be scheduled. I think perhaps that would be the proper place to discuss this. I just put that forward as another possibility you may want to consider. Mr Mammoliti.

Mr Mammoliti: Here we have an original suggestion that the minister come in front of the committee. I think we reached consensus in that we just don't have the time to be able to accommodate the minister here in front of the committee.

The Vice-Chair: Consensus, yes, but—

Mr Mammoliti: I think I've already seen that there's some movement in terms of trying to accommodate the concerns the member has, and certainly from this member I would like to show you some flexibility as well. You had asked very specifically a couple of minutes ago whether or not it would be possible to forward the Hansard to the minister and for the minister to respond appropriately to the areas that the minister would be responsible for responding to.

I don't have a problem with that, and if that's okay with you—I haven't had a chance really to kick this over with my colleagues—I really don't see anything wrong with that. With the understanding, Mr Chair, that asking this question on a Thursday at 5 o'clock and expecting it for the Monday may not be possible, so let's leave some room for flexibility.

The Vice-Chair: I think he meant next Thursday actually. I think the committee would be reasonable. Is that agreeable, Mr Grandmaître and Mr Johnson?

Mr David Johnson: I think we all admire the zeal with which the members are protecting the minister, but it could well be that the minister might wish to come, because there are a lot of questions that have come up, questions in context of the total issue. He may argue that not each and every one of them pertains exactly to some line in the bill, but in terms of the whole issue of

waste management, the Kirkland Lake issue, there are just many issues that—

The Vice-Chair: To come back to the point that is being made, is it—

Mr David Johnson: I think, Mr Chairman, that this committee, in view of the questions that have come up, has some right to speak directly with the minister.

The Vice-Chair: Only at the request of the committee. I have understood that the whip for the government has made an offer to say that we should send the

Hansard to the Minister of Environment and ask him to, if possible, provide a response for the next meeting of the committee, which would be next Thursday, and this was agreeable to Mr Grandmaître. Is this generally agreeable to the whole committee?

Mr Hayes: That's fine. There is no problem.

The Vice-Chair: Okay. Are there any further questions? Otherwise, I think we'll adjourn for the day.

The committee adjourned at 1712.

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Standing committee on general government

Comité permanent des affaires gouvernementales

Municipal Statute Law Amendment Act, 1993

Loi de 1993 modifiant des lois relatives aux municipalités

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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 24 June 1993

The committee met at 1005 in room 228.
MUNICIPAL STATUTE LAW AMENDMENT ACT, 1993
LOI DE 1993 MODIFIANT DES LOIS
RELATIVES AUX MUNICIPALITÉS

Consideration of Bill 7, An Act to amend certain Acts related to Municipalities concerning Waste Management / Loi modifiant certaines lois relatives aux municipalités en ce qui concerne la gestion des déchets.

The Chair (Mr Michael A. Brown): The standing committee on general government will come to order, please. The purpose of the committee this morning is to conduct public hearings on Bill 7.

ONTARIO WASTE MANAGEMENT ASSOCIATION

The Chair: Our first presentation will be from the Ontario Waste Management Association. Good morning. If you'd like to get comfortable and then introduce yourselves for the purposes of our Hansard recording, you may begin. You have been allocated about 55 minutes by the committee.

Mr Carl Lorusso: Good morning. My name is Carl Lorusso. I'm the president of the Ontario Waste Management Association. Joining me here today to also represent the association is our vice-president, Nancy Porteous-Koehle, and our director of public affairs, Terry Taylor.

The OWMA is very pleased that we have the opportunity to appear before this committee. We believe that our opinions will be helpful to you in this debate. I say this because of the extremely important role our members play in Ontario's waste management and recycling industries. We are an integral part of those industries.

My comments this morning will touch on three topics. First, I want to briefly describe our association for the benefit of those who may not be familiar with us. Secondly, I want to talk about the process that has accompanied the promulgation of this legislation. Finally, I want to speak in support of some of the amendments which will be introduced during the clause-by-clause debate, as indicated last week by the Honourable Ed Philip. OWMA believes that these changes will strengthen the bill and make it a more relevant piece of legislation.

The OWMA represents the private sector. Our nearly 300 members are involved in every aspect of the waste management and recycling business. Together, we handle over 80% of the industrial, commercial and institutional waste streams and 100% of Ontario's hazardous waste. Additionally, our members have contracts with 75% of Ontario's municipalities to provide residential waste collection services.

We also own and operate landfill sites, transfer stations and energy-from-waste facilities. We are involved in many public-private partnerships. OWMA members are also actively engaged in all 3Rs activities. One of our members invented the blue box program, which is now supported by over three million Ontario households.

We operate material recovery facilities and remarket Ontario's recyclable materials throughout the world. Our members conduct waste audits for their customers and provide them with expert advice on the implementation of waste minimization strategies.

We're here today to comment on Bill 7. It's a piece of legislation that deals with two issues. One is waste management and the other is municipal powers. As you can appreciate, our focus is on the waste management aspects of the bill. We have no opinion to express nor any comments to make with respect to either the political or the financial relationship between the municipalities. Such comments from the OWMA would not be appropriate.

This bill is the result of extensive consultation that centred on a discussion paper which was released by the Ministry of Municipal Affairs in early 1992. That document was called Initiatives Paper No 3. It could be best described as an options paper, and believe me, from the private sector's viewpoint, some of those options were pretty damned scary.

Suffice it to say, had all the anti-private sector options been included in this legislation, the private waste industry in this province would have been destroyed. In our submission to the ministry on Initiatives Paper No 3 we said that any new municipal powers should extend only to the waste streams handled by the public sector. The private sector is already extensively regulated by the province. It should not be subjected to further regulation by municipalities.

In our opinion, market forces are sufficiently dynamic to eliminate the need for artificially regulated disposal fees or designated disposal sites. These constraints would eliminate competition and drastically increase the cost of waste management programs for thousands of Ontario's businesses. In fact, simply because these options were even contained in the discussion paper was the cause of a great deal of anxiety among our members. Many companies put their business expansion plans on hold.

No substantial additional investments have been made in the last 15 months by OWMA members. We have been waiting to find out what new powers over the

private sector would be given to the municipalities by the province. Obviously, we could not risk losing our investments if in fact the bill unfairly favoured municipalities.

In late April 1993, prior to its introduction into the House, the ministry briefed us on this bill. We left that meeting thinking that the ministry had found our earlier presentations meaningful. We had been told that none of the options outlined in the discussion paper which we identified as being harmful to the private sector had been incorporated into this new bill.

However, once we had the opportunity to actually read Bill 7, we found several sections which we felt could be interpreted by municipalities contrary to the intent of the legislation. Such diverse interpretations could, in our opinion, result in the kind of regulatory environment at a municipal level that would be very harmful to the private sector. Investment would be stifled and a competitive industry employing thousands of people could be destroyed.

We immediately contacted the staff of the ministries of Environment and Municipal Affairs. We expressed our reservations about some of the troublesome wordings. We outlined some scenarios where a municipality's adverse interpretation could result in consequences unintended by the ministry.

In order to avoid these difficulties, we suggest that the text of the bill be amended so that it defines exactly the extent to which a municipality has regulatory power over a waste management system which it does not own, operate or control. In other words, we want to ensure that any of these new municipal powers apply only to the waste management services and facilities of the public sector. After all, we have been told by the ministry staff that this is the intent of the legislation. We think it should be just as clear as possible.

The ministry staff agreed that the original wording could be misconstrued by a municipality. As long as that possibility exists, those companies in the private sector that want to invest more capital and create more jobs will refrain from doing so.

We worked with the ministry staff and agreed upon a number of amendments which I am asking today that all members of this committee support. For your convenience, we have listed our preferred version of these amendments at the end of this presentation.

We ask that with respect to the Municipal Act, section 208.1, the definition of a "waste management system" be amended so that it specifically means the services and facilities owned, operated and controlled by a local municipality or other public body. Amending this definition is crucial if you want to send a message to the private sector that you believe there is a future for it in Ontario's waste management and recycling industries.

This apparently is a message that Minister Wildman wants to send. During second reading debate in the House, he is quoted in Hansard on May 4, 1993, on page 514 as follows: "It's important for us to recognize...that the legislation will give municipalities the clear power to handle residential waste. As for waste generated by the ICI sector, the industrial, commercial and institutional sector, the provincial government will continue to look to the private waste industry to deal with those materials."

This too is the message that the Minister of Municipal Affairs sent last week when he said that the amendments would clarify that municipalities shall not have flow control powers.

If this committee agrees with these ministers, then you can easily support our suggested amendment to redefine "waste management system" in the bill.

In section 208.6, we ask for your support for a new subsection (3) which further clarifies the extent of the applicability of any bylaw passed by a municipality under this section.

In subsection 209(10.1), we ask you to support the change to the term "collection of waste" to read the "collection, handling and transportation of waste," which in our opinion is more indicative of the dynamics of our industry. To be consistent, this change must also be made to subsection 151(1) of the Regional Municipalities Act, as set out in section 5 of Bill 7.

Before I conclude, I want to express our disappointment that a planned amendment may not be brought forward by the minister. It would, we think, promote harmonization between the Municipal Act and the 3Rs regulations announced by the MOEE on April 29 of this year.

These regulations encourage increased 3Rs activities by allowing permit-by-rule facilities to be established without having to obtain a certificate of approval under part V of the Environmental Protection Act.

However, the Municipal Act, in subsection 209(10), grants exclusive jurisdiction to counties for waste management services and facilities. Any new facilities must obtain approval from the county, which may not be readily given.

It seems incongruous that, on the one hand, you would enact new regulations to encourage the development of these facilities by eliminating the red tape, but on the other hand, still require them to obtain further approval of the county.

Therefore, we had suggested that subsection 209(10.1) be broadened to also exempt these permit-by-rule facilities. Such a change would have eliminated another layer of regulation and bureaucracy, and that is always an additional incentive to the private sector to invest.

It doesn't make a lot of sense, in our opinion, to only

remove a few of the roadblocks if you're trying to stimulate the economy and promote recycling activities.

That being said, your vote to incorporate these other amendments into this legislation will provide the necessary assurances to our members. That, in turn, will result in increased economic activity, meaning more jobs at our membership's companies and more jobs at the companies of their equipment suppliers, and to a limited extent it will also increase activity in those areas designed to promote 3Rs strategies. Surely, these are results which all elected members can support, whether they're in government or in opposition.

The process which accompanied the promulgation of this legislation is a perfect example of how laws should be made in participatory democracy. Ideas are floated, comment is invited, legislation is drafted and problem areas are identified before the legislation is passed. It demonstrates that the elected and the electors can work together for the common good.

In closing, let me publicly acknowledge the efforts of the staff at both the Environment and Energy ministry and at Municipal Affairs. They are true professionals. Our concerns have been dealt with expeditiously and with understanding. Every effort has been made to clarify the intent of the legislation so that the anxiety of the private sector can be eliminated. I cannot speak highly enough about the cooperation which we have received from these people.

That concludes my remarks this morning, and we would be happy to answer any questions you may have.

The Chair: Thank you, and I should say on behalf of the members that we always appreciate constructive comments by way of proposed amendments that are contained in your brief. The first caucus, Steve Offer.

Mr Steven Offer (Mississauga North): Thank you very much for your presentation. I find the Chair has indicated that it's very helpful, when you speak about a particular piece of legislation, that you talk about what the legislation means to you, and make what I see are some very constructive suggestions to clarify the ministerial intent of the bill, and that's, as I see it, what you're saying.

I guess, Mr Chair, my question is directed through you and through the deputants to the parliamentary assistant and to the ministry staff, and that would be, there have been specific proposals for change; there has been indication that there is agreement by ministry staff to those changes. I would like to know whether in fact those amendments as proposed by the Ontario Waste Management Association will be tabled by the government and if those amendments are here today so that we can take a look at them to make certain they are in keeping with the wording of the OWMA as per its discussions with ministry staff.

Mr Derek Fletcher (Guelph): Do you want me to

answer for him? He didn't hear the question.

Mr Offer: The OWMA has indicated that it has been having some discussions with ministry staff over changes to the legislation to make certain that the legislation is in keeping with the minister's statement, and my question would be to the parliamentary assistant and to ministry staff: Are you going to be proposing amendments in the wording as suggested by the OWMA? If so, we would like to see those proposed amendments.

Mr Pat Hayes (Essex-Kent): If I may, I'm certainly not speaking against the members making the presentation here, but I think it would also be wise for this committee to hear all the briefings here and then make the decisions as to amendments. I don't think we're going to be just making amendments as we go along. We're not speaking in opposition to your amendments, but I think it's most important that we hear all briefs.

1020

Mr Offer: I have a great concern with the response by the parliamentary assistant, because OWMA—and we all know about the great work done by this association—has indicated in its presentation that ministry staff agreed that the original wording could be misconstrued by a municipality, that it has worked with ministry staff and agreed upon a number of amendments, and it is asking today that all members of the committee support.

I am questioning whether the parliamentary assistant and ministry staff are going to be proposing amendments that are in keeping with the proposals made by OWMA. I think that is the very least we can do for this association, which is coming before us on a very important bill—

Mr George Mammoliti (Yorkview): On a point of order, Mr Chair: This is the first of many deputants who are going to be in front of us. I think the question to the parliamentary assistant is somewhat premature. In perhaps understanding why he would want to ask that question, I could foresee this type of question being asked perhaps at a later date. We're here to ask questions of the deputants and I would like to proceed that way.

Mr David Tilson (Dufferin-Peel): He can ask whatever questions he wants.

Mr Mammoliti: Not to the parliamentary assistant.

The Chair: Order. Mr Offer has the floor. Traditionally, it is used to ask questions of the deputants, but he has a limited time in which to ask his questions. The parliamentary assistant need not reply if he does not wish, but I would suggest the best use of our time may be to speak directly to the deputants. Mr Offer.

Mr Offer: Thank you. I will say, before I just hand it over to Mr Grandmaitre, I am very concerned with this because now I am hearing that the deputation, if

that will make Mr Mammoliti feel a little bit more at ease, has indicated, and it has read this into the record, that there is agreement for amendments. That's the deputation. I am asking whether the government is going to be proposing the amendments as per the agreement.

Mr Mammoliti: Ask it later. You'll have an opportunity to ask it later.

Mr Bernard Grandmaître (Ottawa East): I think it's very, very important that we should establish some principles. The fact that the OWMA is the first presenter, I think it's very important that we should establish—

Mr Mammoliti: There is a process, Steve. I don't think I have to tell you that.

The Chair: Order.

Mr Grandmaître: We will be hearing from other interested groups, and I think it's important that we establish for sure if these amendments or these proposals, these agreements between the two parties, the ministry and this group, will come forward. I think it would be very helpful for this committee to carry on in the next two or three weeks, as long as we have to sit—that these amendments are part of the total agreement. I think it's very serious. If these people were promised that some amendments would be introduced, I think it's only fair to this group and also fair to this committee to establish that these amendments will be part and parcel of the new bill when it leaves this committee. I think it's very important. To tell us today that they don't know what they'll be approving, I think is very unfair to this group and very unfair to this committee.

The Chair: Was there a question there?

Mr Grandmaître: My question is, is the government willing and ready to accept the proposals just mentioned by this group?

Mr Jim Wiseman (Durham West): I'd like to speak to that.

The Chair: The parliamentary assistant, if he wishes.

Mr Hayes: Like I said earlier, I find it's rather interesting that the Ontario Waste Management Association comes in here and tells us about the good cooperation that we do have, and then gets into a committee and you have members who start to play games right off the bat.

The thing is, Mr Chair, that certainly we will be looking at these amendments and we'll have amendments, but the normal procedure in this type of committee is not just to start dealing clause-by-clause before you even hear all the presentations from the people who want to participate in this committee. The process in this committee, and I think you've already indicated that, is that if the members have questions at this

particular time and they want clarifications on the presentation, they would ask the people who are making the presentations and not to be playing games back and forth.

We have had a lot of cooperation, we'll continue to have the cooperation and we will be certainly looking at the amendments that you have here. That's pretty well all I have to say at this present time.

Mr Grandmaître: One short question to the parliamentary assistant: Mr Hayes, do you agree that your ministry had reached an agreement with these people?

Mr Hayes: Is this a—

Mr Grandmaître: It's a question.

The Chair: Let's be clear, this time—

Mr Hayes: I think if the members want to use up their time, we certainly have indicated to the people here today that—

Mr Grandmaître: That you have agreed to these amendments.

Mr Hayes: —there will be changes made and we will look favourably upon their suggested amendments to the bill. That's what I can tell you at this present time. We're not here to play games with such a serious bill that we want passed here that's going to benefit everybody in this province.

Mr Tilson: It doesn't look like we're going to get anywhere with this topic, Mr Chairman, so I'll proceed to another one. Hopefully, the government members will be able to have a response to the questions shortly, because that's the whole purpose of this brief. We ask these people to come and give comments and there doesn't seem to be any.

However, Mr Chairman, through you to the delegation: One of the issues, of course, with waste management is the blue box program, and there have been several derogatory remarks made by fairly well-known municipal politicians who hadn't a lot of good words to say with respect to the blue box program. Do you as an organization have any thoughts as to whether or not the blue box program should continue?

Mr Lorusso: Certainly, we do. We support waste reduction by means of residential recycling, without question. I think that some of the comments that we've heard recently is the cost of the blue box. There's no question that it's more labour-intensive, of course, both to collect and to sort, and it also requires some specialized equipment.

There is some lack of competition in the secondary markets surrounding the blue box program. I think there are a couple of key issues you have to look at. Number one is the support by a product stewardship program to follow up with blue box costing. I think you also have to look at the cost of picking it up. Some of the municipalities have to take a serious look at their costs,

whether they contract it out or do it themselves, and start comparing to other municipalities on that costing.

I think there was a study done recently, the Dewees study, that clearly showed that municipal collections being done by themselves was far more expensive than the private sector doing it. I think it was up to 70% more expensive.

So, yes, we believe the blue box program should stay, there's no question about it. It should be redefined.

Mr Tilson: But it shouldn't be run by the municipalities, is that what you're saying? You're telling me the municipalities shouldn't be operating these blue box programs?

Mr Lorusso: Absolutely. I think the municipalities should be in control of the program but the collection and the processing should definitely be done by the private sector.

Mr Tilson: Why? Simply because the private sector can do it more efficiently or what are you telling us?

Mr Lorusso: Yes. The Dewees study clearly indicated that it would be up to as much as 70% less expensive for private sector companies to do the collection and processing of the materials.

Mr Tilson: What are they doing wrong?

Mr Lorusso: In our industry, when all you're dealing with is the collection and processing of material, that's all you do 24 hours a day, seven days a week, of course any new innovation that could possibly come out, you're going to look at it, because that's your competitive edge over the next company.

Having said that, in a municipality there's an awful lot of areas of concern they have to deal with. Probably the expertise and attention given to the collection system is not there as it is in the private sector. Clearly, that's what their concern is at all times.

Mr Tilson: Another criticism that comes out with respect to recycling is that there's no place to put the stuff, that they're warehousing it all over the place. They can't find the industries to take it.

Mr Lorusso: There are some concerns there.

Mr Tilson: Can you comment on that?

1030

Mr Lorusso: Certainly. We believe that if there should be any investment done by the provincial government or the municipalities, it should be into research and development on the final result of collection of recycled materials. We have to get better at that in all aspects of the industry. We have to create the markets and we have to make the markets available to accept it on an ongoing basis. When you're dealing with any kind of material that comes out of the waste stream, be it recyclables or non-recyclables, the stream and the homes for the material have to be consistent. You can deal with the cost of either getting rid of it or what you

receive for it, but the stream consistency is very important.

Mr Tilson: I don't know how much time I've got. How much time do we have?

The Chair: You have lots of time, Mr Tilson.

Mr Tilson: Great.

The Chair: You may want to share some of it with Mr Johnson.

Mr Tilson: I'm sure I will. I'd like to ask some questions on the government's policy of disposal of tires, which is a major problem in municipalities around this province in that they end up having to dispose of them. Of course, you can't bury them, you can't burn them, you can't ship them out of the country and very little money has been spent on ways to dispose of them. Do you have any comments on the government's policy with respect to the recycling of tires or the disposal of tires?

Mr Lorusso: I believe that, number one, it's part of the free market. I think sometimes what we do in this industry is we try to isolate a certain area of the material, as in tires. I think the money's been spent on the investment of trying to recycle tires, but we're not doing enough. So I think the government's policy should be more to find a total solution to end this. I agree that you hear quite regularly that the money is being spent on investigating better means of handling tires, but we still do end up with quite a supply of tires kicking around. So there has to be more investment and there has to be a little more thorough search to solve that problem once and for all.

Mrs Nancy Porteous-Koehle: And not being allowed the free movement of this product, because when you come into recycling, you're now into product management. It's no longer just waste; it now is a commodities market that you're into. So in order to compete worldwide in a commodities market, you need the availability to go across political lines. You need to be able to compete in a free market system. So therefore, being curtailed to just the province of Ontario, yes, it's great, and I'm sure that the research and development in the private sector will come up with many solutions here in the province, but they also need the opportunity to cross that artificial political boundary when it comes to a commodity. That's very difficult.

Mr Tilson: I agree. One of the concerns of this legislation and other pieces of legislation, such as Bill 143, is the issue of financing. The government is putting forward all kinds of wonderful plans. Waste management is wonderful. We obviously have to develop it. The difficulty is it's the old question of who's going to pay for it.

In your discussions with the government, can you help this committee, because the government isn't telling us its plans as to how all this is going to be paid

for, whether it's going to be dumped on the municipalities or where it's going to go, or whether it's going to be making contributions. Are you able to enlighten us from any discussions you've had with ministry officials?

Mr Lorusso: Firstly, we have to clearly identify the two streams of waste. We have the industrial, commercial and institutional waste stream and we have the residential waste stream. Clearly, the message is the ICI requires no funding. We will take care of the ICI waste stream. We'll take care of the research and the development. We'll take care of charging the independent customers the right amount of money that they need to pay—

Mr Tilson: That's assuming you're not stopped at the border.

Mr Lorusso: That's correct.

Secondly, when you get to the residential waste stream, there have to be a couple of areas where continued support has to come from. One is possibly user-pay. That's a small part of it. Again, the product stewardship has got to come forward. It's got to be a new means of financing. The old, traditional money market out of a landfill site has got to end. It's basically ended, because we've overpriced landfills in this province and hence the market in the United States has opened up to us. So we can't look at that as a means of funding. We have to look at product stewardship, and certainly user-pay could assist in that. Nancy, do you want to follow up on that?

Mrs Porteous-Koehle: I know a lot of the companies would like to bring their waste back into Ontario and dispose of it in environmentally secure sites in the province of Ontario. Unfortunately, what has happened in the province of Ontario, because of some monopolies by municipalities, the tipping rate has skyrocketed. So, as a result, if we could just get the tipping—

Mr Tilson: It's not going down, because they can't get any business.

Mrs Porteous-Koehle: It's not going down low enough, unfortunately. If we can convince municipalities to make a competitive tipping rate and enforce the product bans of the recyclable material, I think you'll see a lot more of Ontario waste coming back home and staying within the province and the recycling taking place, if those bans are aggressively enforced by municipalities. You'd see more research and development if you could get those two things tied in together.

Mr Tilson: That's one of the issues that certainly the opposition parties have been looking at, the whole emphasis in the government on research and development. I don't know what research and development is going on. There doesn't seem to be very much. The minister in the House has commented specifically on tires, for example, some nominal, it sounded like pilot projects, in some of the areas, but there doesn't seem to

be a great deal of research and development going on around the province. Have you any thoughts on that from a government perspective?

Mr Lorusso: The waste reduction office had a number of strategy teams that dealt with different elements of the recycling stream. There was one on paper, fibre, there was another one on construction materials and also one on plastics. I don't know if tires were involved with that. I think tires may have been part of that as well. They're truly trying to bring together the people who are closely involved in those materials, either handling them or processing them or end-using them.

There have been a lot of high learning levels achieved, I might add, in some of those waste strategy teams. There is an attempt to look at them and analyse them and start dealing with them in a very realistic way, other than a very blue-sky way, which is an association we're always glad to be part of.

Mr Tilson: Is your emphasis—

The Chair: Mr Tilson, maybe you want to give Mr Johnson an opportunity.

Mr Tilson: No, I don't want to.

Mr David Johnson (Don Mills): Are we coming back? I didn't hear what the rules are. The last time we had these kind of debates, there was five minutes—

Mr Wiseman: No, when you use up your time, we're next and then it's finished.

Mr Drummond White (Durham Centre): No, we're not coming back.

Mr David Johnson: Oh, we're not coming back?

The Chair: You have about five minutes left in your time and then the government caucus.

Mr Tilson: Then I'll be pleased to give Mr Johnson—

Mr Mammoliti: Mr Chair, I move that Mr Johnson be given a chance for questions.

The Chair: Order. Mr Johnson.

Mr David Johnson: I thought we were coming back for a second rotation.

Just picking up on a comment you made, I thought I heard you say that we've overpriced landfills. Did I hear right on that?

Mr Lorusso: That's correct.

Mr David Johnson: Could you elaborate on that?

Mr Lorusso: I think you really have to look at the cost of landfilling. I agree that there are extreme costs to site, close and take care for ever of the landfill sites as they sit. But really, if you look at what's happening in the United States, if you look at what's happened in the past in Ontario, the cost of landfilling can be done and charged at a lot less of a rate than it is today. I think \$150 a tonne—that was the Keele Valley rate not

so long ago—is truly and clearly a real grab at the businesses in Ontario to have to help to support that.

In our opinion, and obviously it's reality, the landfill sites in the United States where a lot of the waste is going are under the same regulations as the landfill sites are here and the same control afterwards. If they can charge enough money less than what they can in Toronto to still include the transportation of that waste from the GTA down to the United States, it's clearly too much money.

Mrs Porteous-Koehle: Just on that, one of the reasons why the municipalities feel compelled, in my opinion, to charge these high rates is because they feel responsible for the total waste stream and that they're going to have to come up with the solutions for ever and a day on how to handle waste recyclables and reduction programs. I know what the private sector is trying to get across, and we've opened discussions with the Association of Municipalities of Ontario to explain to it that it is not necessary to invest taxpayers' dollars in all the facilities, even on the residential side.

There are many MRFs, material recovery facilities, down in the States and throughout Ontario where private sector will come in and invest the money, working in partnership, so that the municipality has control over the contract, has control over the operations, but it's private sector that comes in and works in agreement with those in a partnership arrangement.

Somehow, the private sector is trying to get across to the municipalities that yes, okay, if you want to do residential recycling, you don't have to supply all the facilities. All you have to do is put together a legislative type of environment that would encourage a private sector company to come in, build the MRF, operate it and say it reverts back to the municipality in 20 years. But there are many contracts out there in existence where municipalities can garner private sector dollars to do what the municipalities need to do.

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Mr David Johnson: It's your view then that the private sector would operate—I think Metro's looked at two or three MRFs—

Mrs Porteous-Koehle: That's right.

Mr David Johnson: —and composting plants as well—

Mrs Porteous-Koehle: Yes.

Mr David Johnson: —that the private sector would do that?

Mrs Porteous-Koehle: Yes. Our company's developing one out in—

Mr David Johnson: How would the private sector make a composting plant work? Would there be a grant involved or would it be just the disposal fee?

Mrs Porteous-Koehle: I'm trying to think. I'm not

heavily involved in the composting plant that we're building out in Trenton through IPS, but perhaps your delegates before you will have hands-on experience. I would think that if the money's there they would come for a grant, but they would set up the whole operation on their own.

Mr David Johnson: And it would be like a tipping fee? Is that what you're talking about, a tipping fee to put the material in? And then, I guess, there'd be a little bit of revenue in terms of selling material out there.

Mrs Porteous-Koehle: I could get that material to you.

Mr David Johnson: The Interim Waste Authority has spent \$30 million to \$35 million and it's onward and upward, and heaven only knows, they'll never find a site in southern Ontario, in my view, so there's a great deal of money that's being spent in a search for a landfill site in southern Ontario.

In your view, what would be a reasonable, in terms of all the costs, tipping fee that would include costs of finding a site, costs of maintaining a site, perpetual care for the site, what should a reasonable tipping fee be that would cover all of those kinds of costs?

Mr Lorusso: I can't give you that exact answer. I'm not privy to the detailed cost structure, but my experience tells me correctly that a few years ago, the cost of running the landfill and the cost of the transfer stations to transfer the material to the landfill, and the operation of the landfill, was approximately \$28 a metric tonne. That's off the top of my head.

Now I'm sure that you could probably look at another \$20 to \$30—and these are my own estimates, they're not backed—on further care for a landfill and possibly investigating the cost of a new one down the road.

To me, I would think that if you were looking around the \$50 to \$60 range to operate a landfill site in the southern Ontario area, you would have the materials back; you'd be able to exercise the bans which the private sector keeps promoting. We want bans, we want to keep the materials that could be recycled out of the landfills. We need the bans to support that. There's got to be a happy medium when this could all take place.

Mr David Johnson: Okay, just maybe one technical question then. You had, I think, the very first amendment dealing with the flow control and it amended the definition of waste management system, right at the beginning.

There was some concern later on in the bill, under section 208, page 9 of the bill, a designation of facilities, for example. But I see, under designation of facilities, the term "waste management system" is again used. So it's your view that by redefining the term at the front of the bill, that covers all of the concerns spread throughout the bill with regard to flow control.

Mr Lorusso: That's correct, with a few changes that

have to be done in order to support that, but you're correct.

Mr David Johnson: And then it's your view that removes the requirement of flow control on to the private sector.

Mr Lorusso: That's correct.

The Chair: Thank you, Mr Johnson. Mr Wiseman, Mr Fletcher and Mr Hayes have indicated they would like some questions. Mr Wiseman.

Mr Wiseman: Thank you. It's nice to see you again. Bill 143 hearings come back. I have a number of questions. You've been very good this morning and you have not said what I think you need to say.

Mr Grandmaître: What do you mean, "this morning"?

Mr Wiseman: On page 2, in the lower right-hand corner you talk about interpretations of regulatory environment and municipal law. What you're really talking about is you do not want Metropolitan Toronto freezing the private sector out of MRFs and out of the ability to be in that market. Is that correct?

Mr Lorusso: I think what we're saying is that we don't want any municipality to have the option to look for funds that could be readily made available, if they were able to have the control of the waste stream and to force it to go—and that goes for right across Ontario, but certainly Toronto is a concern.

Mr Wiseman: You use monopolies by municipalities, and clearly, from what I am seeing out of Metropolitan Toronto and out of the works department, they are setting themselves up in direct competition to the private sector when it comes to material recovery facilities and recycling and waste management.

Mr Lorusso: The possibility is very clear that—

Mr Wiseman: That leads me to my next question. Does it make any economic sense to allow the owner of the landfill site to also be the agent responsible for the 3Rs? Is that not a conflict of interest?

Mr Lorusso: No, certainly not. If you want to go back in time, it would be like saying to the garbagemen, "Why would you ever want to recycle when you make your money by throwing it all in the back of the truck?" The realities are that you have to have waste reduction. If the private company cannot show its customer base waste reduction, the company next to them will.

So I don't buy that any more. I think that the realities of what has to be done in this province are very clear and that as long as there is an enforcement possibility to confirm that that takes place—and I'm speaking of the private sector again here—I don't believe that's a concern for the private sector. We'd like the opportunity to be able to show that we could do that.

Mr Terry Taylor: Mr Wiseman, just let me follow along your line of thinking there. I think you're quite

correct that there is a possibility for a conflict of interest if the landfill owner does compromise on the material bans. If he lets the material in, then of course there's a problem. The system will work if the material bans are rigidly enforced at the gate.

Mr Wiseman: If you have a dual tipping fee, one for clean waste, one for non-clean?

Mr Lorusso: I can comment on that. You know, there's some real difficulties when you look at the cost of supporting even the ICI system. The higher tipping fee was probably initially started to penalize those that didn't recycle, but now all of a sudden you've got to be concerned with the people who are recycling, the people who are doing what they should be doing and taking the materials out of their waste stream. Should they not be somehow rewarded? So there you've immediately created a two-tier system. You've got to penalize those who don't do it but you congratulate and reward those that do. So you really can't have one tipping fee.

Mr Wiseman: Thanks. I'm going to turn it over, and if there's time left I have some more questions, but my colleagues would like to ask questions.

Mr Fletcher: Thanks for your presentation. Good to see you again, Nancy.

As far as in subsection 209(10.1) the term "collection of waste" be changed to read the "collection, handling or transportation of waste," how come? What's the rationale behind that?

Mr Lorusso: Right off the bat, it's because the industry has changed so much. The industry is now just not the collection of waste and we may as well address all the amendments to clarify that there is more than just the collection, so we wanted to introduce those two other areas to round out the system.

Mr Fletcher: Let me start again by saying that I'm probably one of the strange New Democrats sitting here because I don't think municipalities or government should be involved in the collection of waste. I agree it should be perhaps contracted out to private enterprise. I think there's a lot of money to be made in waste collection and recycling and everything else. Garbage is big business now, and I agree it is.

As far as research and development is concerned, I don't think government should be spending hard-earned tax dollars when private industry can do it. Again, I look at the private industry and creating some partnerships where the government can set the regulations and make sure that the environment is being protected, make sure that you're doing everything right but allow private industry to start getting more and more involved. I do think without the reins of government that it would be a lot better system than what we have now. I don't think municipalities and governments are running this system as well as they should be. That's just my personal comment. Your company is involved in a lot

of research and development. In what areas?

Mr Lorusso: I could give you an example of my own company. I know we've spent a tremendous amount of money looking at a waste stream that we started looking at before Initiatives Paper No 1 even came about, and that was paper in office buildings. We knew that probably 70% of all materials generated in an office building was paper, and we were hauling it all to one facility.

As a company, we decided we had to look at a means to pull the material out of the system in an easy way; secondly, to find the market that was going to be guaranteed before we pulled it out; and thirdly, to be able to go into the customer base and convince them that this was the proper way to go. It was going to fall in line with (1) bans that were going to be constructed on landfill sites; (2) initiatives by the government that there was going to be mandatory source separation; and (3) in their abilities to rent out their space, they want to be able to do everything for the tenants that is possible, and certainly waste reduction and recycling were high on the list of priorities for the office buildings.

Mrs Porteous-Koehle: Our company built a \$26-million facility down in New Toronto and Etobicoke to recycle—I believe it was the first in Ontario, if not in North America—a full stream of dry ICI waste. We brought in some high technology from Sweden and incorporated that into the plant, and we're working that through the system still. It's an ongoing education process to the waste generator. We're still making refinements to that plant and I guess we always will; we'll just constantly make it more productive, more efficient.

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Mr Fletcher: Technologies change and you have to change with the times.

Mrs Porteous-Koehle: Constantly. It's almost like computers.

Mr Fletcher: As far as government regulations are concerned, you have been involved with the ministry and you have some agreements, and perhaps Mr Hayes will touch on that, but in terms of private industry doing the operation, doing the work, you are willing to work with the government and with municipalities?

Mr Lorusso: Absolutely.

Mrs Porteous-Koehle: Oh, definitely. We recognize the regulatory powers of the governments as necessary.

Mr Hayes: I think I would be remiss in not clarifying something here for all members' information and for you, rightfully so, that we did say that we would certainly look at amendments and have amendments ready. I want the members to know that the presentation the Minister of Municipal Affairs made to this committee said: "Since Bill 7 was introduced, we've had discussions with the Association of Municipalities of

Ontario and the Ontario Waste Management Association. As a result of those discussions, we are prepared to introduce an amendment during clause-by-clause debate that would further clarify that municipalities shall not have flow control powers."

That's just for the record so that everyone understands we like to do things by procedure so we can be more efficient in this committee, in this government.

I do have one question. You have the concern about the added powers to the municipalities, but if you want to have a recycling operation or even a landfill, you still have to have, even at this present time, permission from the municipality. I'm just wondering how you figure that this actually changes that. The other question would be, are you having problems with that now? What makes this legislation put more of a burden on you?

Mr Lorusso: It's very early. Initiatives Paper No 1, has just been released April 29, I believe; it's effective date is August 1. There really hasn't been a clear opportunity to open a recycling facility under the parameters set out in that regulation, so it is a little early to say.

I think we're basically saying that if we're going to eliminate red tape, let's eliminate it all the way through the process. We will survive if we have to deal with the municipalities and getting their permission to do it, as we have in the past. It was just an attempt to follow through with Initiatives Paper No 1, to complete the ease of the system.

The Chair: Mr Wiseman.

Mr Wiseman: I'm glad I had the opportunity to come back again—

Mr Tilson: I have a question to Mr Hayes just on his comments. I not taking away from Mr Wiseman's time, except that I would like an opportunity to question Mr Hayes on his last point.

The Chair: Mr Wiseman has the floor, Mr Tilson; perhaps at a later date you can put your question.

Mr Wiseman: One of the issues that is absolutely of paramount importance is community involvement in all of these issues. In my community, and you've probably heard this more than once, we have had a very, very, very bad experience with Metro's landfilling at Brock West. It has not gone well. Conestoga-Rovers is one of the worst landfill sites, by their own engineers' reports, in North America.

My community is absolutely concerned with the accountability process of the siting of landfill sites. One of the things that has been constant is that Metro Toronto has managed to keep most people out of that landfill site, keeping them away from checking on cover material, leachate collection, on all of these things.

Would you have any serious objections or any concerns about having in the legislation something that would require any siting of a landfill site to also require

that their community liaison group be there to monitor and to give the community some assurance that what's happening in there is best environmentally?

Mr Lorusso: I think in the view of all the private sector, environmentally safe landfills are of the highest priority. I don't think there's a whole lot needed to make it any longer a process than it is now to open up a landfill site, but I think rules and regulations should be set out and clearly, clearly are for all sides of the partners where landfills are concerned, be it municipal or be it private landfill. Those regulations should be very stringent and they should be on a timely basis to monitor, to follow through the life of the landfill and then after the landfill closes. I believe you have to build in that regulation, operational legislation, more than we need extending the process of opening a landfill. Nancy may have some comments on that.

Mrs Porteous-Koehle: Mr Wiseman, you're absolutely correct. The only way a landfill can operate in any community is to be a good neighbour, a good environmental neighbour. One of the key aspects of that is to have community acceptance and have a community team that works on that landfill on a monthly basis. That's evident at the energy-for-waste facility up in Brampton. They now have a community team that oversees and is involved in a lot of the operation of that. It's key that the community be involved and be accepted as part of that team. It's their environment.

Mr Taylor: Mr Wiseman, let me share with you some of impressions I had, just this last Tuesday having toured the new waste management site in Halton. It was a landfill that came on stream about a year ago. I think a lot of people, when they think about the term "landfill" or "garbage dump," think about a rather uncontrolled, unsightly, smelly mess. I must say that was my impression of what a landfill was.

But I took a tour of the Halton landfill site on Tuesday, and I have to tell you, if anybody expresses concern about the state of the art of the technology of modern landfilling, they should go take a tour of that Halton site. They'd be incredibly amazed. I won't say it was a walk in the park or that it was a farm, but it certainly wasn't a landfill. They have a very small working face, they have daily covers, they have technologies in place to control seagulls. It was something that was quite different from what you would expect when you go to see a landfill.

I'm not advocating that any landfills that might be sited in southern Ontario would be good things or bad things; I'm just saying that a lot of the public's perception about what a landfill is should be addressed again. They should go visit the Halton landfill as an example of what state-of-the-art technology can do.

Mr Wiseman: My last quick question, because we're running out of time: I hesitate to use the word "waste" because the more we find out, the more we can

do with products; it's just expanding at an exponential rate. What I'm asking is, shouldn't everything go through a materials recovery facility before it's even thought to be put into a landfill?

Mr Taylor: Provided there's a market for it.

Mr Lorusso: Provided there's a market and, most importantly, the cost constraints. Again, when you talk about who's going to pay for it, let's not create a system that would absolutely cost the moon to be able to do. If there's a material that's available for sale that's in the present waste stream, it will be sought out by the private sector and the market will be utilized.

Mrs Porteous-Koehle: That research and development is ongoing right now in communities, of taking it all into one facility and seeing what you can get out of it rather than let the home owner decide. That research and development is ongoing. But one of the things we've got to be extremely cautious about is that we don't use a lot of non-renewable resources to recycle renewable resources. A lot of our municipalities and a lot of the thought processes go into sending three trucks down the road picking up three different products with gases that can't be renewed. Common sense has to prevail.

Mr Wiseman: I think there's a lot of innovation that needs to be introduced in just the collection. It's just terrible.

Mrs Porteous-Koehle: Yes. That's ongoing.

Mr Lorusso: We need the freedom to know where we stand, and the investments will follow very quickly.

Mr Taylor: That's why it's important that the bill be amended, so that the private sector has the assurance that it will be able to go forth and do the research and development and invest in its future.

Mr Tilson: On a point of order, Mr Chairman: Before this delegation leaves, the Conservatives refrained from asking any questions on their amendments simply because of the answer that was given by the parliamentary assistant to Mr Offer. They simply would be waiting until all the delegations made their presentations before amendments would be presented by the government. We now hear in one of the last comments Mr Hayes made—

The Chair: Precisely what's the point of order?

Mr Tilson: The point of order is that we refrained from questions, and the government has now told us that it's going to be changing these sections as proposed by this delegation; I for one would like to see those amendments now as opposed to later, as would this delegation. I would like to hear comments from this delegation and other delegations on these proposed amendments.

The Chair: I'm afraid, Mr Tilson, that's not a point of order. We may discuss that.

Thank you very much for coming today. We appreciated your very constructive brief and again appreciate the suggestions for amendments.

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ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Chair: The next presentation will be from the Association of Municipalities of Ontario, Mr Terry Mundell and Mr Gary Cousins. Good morning, gentlemen. Welcome to the committee. I believe your brief has been distributed to the committee members. If you would like to introduce yourselves and your positions within the organization, for the purposes of Hansard. You have until noon to make your presentation.

Mr Terry Mundell: Good morning and thank you, Mr Chair and members of the committee. My name is Terry Mundell. I'm a reeve from the village of Erin and a councillor from the county of Wellington, and I'm also a vice-president of AMO, and chair AMO's environment committee. With me today is the co-chair of that particular committee, who is also the planning director of the county of Wellington, Mr Gary Cousins.

We'll not go through the history of the development of this particular legislation, as ministry staff have already outlined that particular history to you during their presentation on June 17, but I would like to emphasize that since 1989, the association and numerous individual municipalities have urged the province to develop legislation which would clearly establish municipal waste management powers and give municipalities the tools necessary to develop the new waste management system which we're moving towards.

It's a system which signifies a change in our practices from the simple pickup and disposal of garbage to the more complex waste diversion systems and activities. We have been arguing that the legislation and financing must come into line with the new emerging waste management system in the province.

We generally support the legislation and have no specific amendments to propose to you today. However, we would like to highlight two important issues which are related to the legislation: the issue of public/private waste management responsibilities and the fundamental issue of financing.

First, I would like to respond to the question of what this legislation means with respect to municipal powers for flow control or, as proposed by the OWMA, the implications of the definition of "waste management system" included in Bill 7.

In the minister's statement on June 17, he indicated that as a result of discussions with the Ontario Waste Management Association and our association, he is prepared to introduce an amendment during clause-by-clause debate that would further clarify that municipalities shall not have flow control powers. We wish today to be very clear that when AMO's environmental policy

committee discussed this issue with ministry staff, we did not support any amendments to Bill 7.

On the issue of flow control, AMO has supported municipal permissive authority to control the flow of waste generated within their boundaries. However, AMO, in response to the consultation paper which preceded this legislation, did not support any of the three options proposed by the Ministry of Municipal Affairs and recommended that other options need to be examined and that this should occur within the context of the municipal planning process recommendations made in AMO's response to Initiatives Paper No 2, Waste Management Planning in Ontario.

To understand our support for some form of flow control, we need to first look at the current system. Counties which have waste disposal powers, as well as the regional municipality of Waterloo, can direct residential waste to designated waste disposal facilities. But other regional municipalities and lower-tier municipalities presently do not have this authority.

The ICI sector includes factories, hotels, restaurants, shopping malls, private offices, schools, hospitals and accounts for about 60% of all municipal solid waste in Ontario. Although it is generally collected and disposed of by private firms, municipalities in some areas of the province collect and operate programs to collect and process recyclables from the ICI sector.

In some areas, waste which the private sector collects from the ICI sector is disposed of in their own landfill sites. In other areas, the private firms dispose of this waste in municipally owned and operated sites. This is becoming the norm in some parts of the province as there is a shortage of private waste disposal facilities. That problem is being compounded by the fact that in recent years, very few new private waste disposal sites have been approved in the province.

An additional factor is that the provincial government is initiating plans, through the Ministry of the Environment's Initiatives Paper No 2, Waste Management Planning in Ontario, to make municipalities responsible for planning to reduce the waste in their areas by 25% by the end of the year 1992, and 50% by the end of the year 2000. While that will not be mandated, it will be expected by the province and municipalities will have to plan for both the residential and ICI sector, even if they do not have control over the waste flow in the ICI sector.

This is a main point of the argument and departure we have from the position of the OWMA and the ministry.

We would also argue that there is so much discussion of a waste management system, and little focus on how the two sectors, municipal and private, are supposed to come together and rationalize their respective involvements in waste management. There is not a clear line

between our respective activities, and there are a lot of complementary and overlapping areas of activity. We cannot draw an artificial line between the two sectors.

I would like to emphasize to you today that the private sector is a very important part of the waste management system. We acknowledge their expertise and contribution to creating one of North America's best systems for managing waste. In most cases, municipalities have good working relationships with the private sector companies operating within their jurisdiction. As an association, we began discussions with the OWMA towards developing a better working relationship between our association and to work out solutions in specific areas of disagreement.

However, at the end of the day, I think you will agree that it is the government's responsibility, and under the Municipal Act the municipalities' responsibility to ensure that waste is collected and diverted or disposed of in an environmentally sound manner, and at the end of the day it is the public that demands that its elected representatives ensure that waste is managed in an efficient, cost-effective and environmentally sound manner.

We therefore do not support an amendment to the definition of "waste management system." The OWMA's proposed change to the definition would limit options for the development of a waste management system which includes the public and private sector and ensures that government, in this case municipal government, can plan for all of the waste generated and managed in its jurisdiction.

In addition, we do not support the proposal that the OWMA had made for a new section which would remove municipalities' consent authority for private recycling facilities. Municipalities must have some authority to ensure that 3Rs infrastructure development proceeds in accordance with overall plans. Therefore, there must be at least a facility approvals responsibility on the part of the municipalities in order to fulfil the obligations described previously.

This includes permit-by-rule facilities under the regulations. While the permit-by-rule system is designed to make it easier to get technical approval for these facilities, there are still solid waste planning issues which must be considered. Furthermore, in most cases the delays in the approvals process have typically occurred as a result of slowdowns in the Ministry of Environment and Energy and not at the stage when municipalities get involved.

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The second main issue I would like to discuss is the fundamental issue of waste management financing. The minister, in his presentation, commented on concerns regarding the financing of waste management. The minister also cited many reasons why he believes the financial implications will not be onerous for municipal-

ities, and we would like to respond to his statements with the following points:

First, the current funding system is not sustainable in the long term. The municipal recycling support program only offers funding for the first five years of the program, and private sector support is also not secure.

Second, it focuses on recycling instead of the first two Rs of the hierarchy, reduce and reuse. Too much of our resources is being directed to fund the version at the third level of the hierarchy and not at the first.

Third, paying for waste management from the property tax base does not promote consumer awareness of the costs of purchasing and disposal choices, and does not encourage product stewardship, nor does it support any key component of the waste management that is a resource—conservation.

We are pleased that the minister did acknowledge the financial concerns and stated that he is committed to work together to ensure that municipalities do not shoulder an unfair share of the costs of waste reduction and are not excluded from the financial rewards. He indicated that his ministry is looking at polluter-pay-type concepts to ensure product producers pay their share of the costs of managing the packaging they create. The product stewardship approach to financing is one we support.

The association has argued that the financing of the waste management system must be addressed prior to the implementation of new mandatory regulations. Also, while we have been calling for clear statutory authority for municipalities in waste management, we have also said that the existing financing of the system is still based on the old system, which was not concerned with reducing waste and therefore did not penalize or charge individuals or producers for the cost to society of the waste they produce.

The one aspect related to financing included in the legislation is the introduction of authority for charging user fees. We support this, but must emphasize that this is just one small component of a new waste management financing system. Alone, user fees are not the answer. We will be working with the ministry over the next few months to ensure that the financing issue is resolved, an issue very important to municipalities.

As a final issue, I want to point out that the legislation, when addressing the distribution of powers between regions, counties and local municipalities, does not deal with the circumstances of separated municipalities. The status quo will prevail, and while we understand the necessity of addressing this question in the broader context of county restructuring, we wish to state that solutions for the near term are required. We would offer our assistance to work with the government to identify solutions.

That concludes our presentation for today.

The Chair: Thank you very much for your presentation. You will entertain some questions from the members, I take it. That will be the Conservative caucus first, followed by the government and the Liberals.

Mr Tilson: You were present for the last delegation. I'd like you to comment on some of the things they said, because obviously you don't agree with some of the things they said. Specifically, looking at their presentation, one paragraph jumps out which appears to contradict what you're saying:

"In our opinion, market forces are sufficiently dynamic to eliminate the need for artificially regulated disposal fees or designated disposal sites. These constraints would eliminate the competition and dramatically increase the cost of waste management programs for thousands of Ontario businesses."

Then they go on to say, "Because these options were even contained in the discussion paper was the cause of a great deal of anxiety among our members. Many companies put their business expansion plans on hold."

I get the impression, listening to what you're saying, that you're almost discouraging private enterprise to get involved in this business. I was asking specific questions on the operation of certain programs, for example, the blue box program. It's being suggested that the municipalities may not be as efficient as some of the private enterprise companies. I gather from your comments that you do not necessarily agree with that. I'd like you to explore or comment on those and other comments that were made by the previous delegation.

Mr Mundell: I think, first of all, it's very important that we as municipalities understand that the private sector has a large role to play in the waste management systems across the province, and we are working together with OWMA to try and explore a better partnership and arrangement between the two groups. They have a large role to play. They have in the past and they will in the future. That's reality. We are not by any means anti-business or anti-private sector. Again, there's a strong role for them to play in the province.

Mr Tilson: I was once a member of AMO and quite frankly I'm surprised at some of your comments. However, maybe times have changed since I've been there.

Mr Mundell: I would like to clarify that indeed we are not anti-business. In fact, we strongly believe we can work together with the private industry. One of the issues, I guess the main issue between the two groups, seems to be the issue of flow control. What we have asked for in flow control is permissive authority. Again, if we are going to be responsible to meet the diversion targets, under the province's waste management master plan process today, municipalities must include in that process how they're going to meet the diversion targets. If we're going to be responsible for those particular

targets, we need some sort of permissive authority over flow control.

I guess the big situation right now is that we have met with OWMA and we've discussed it, and we've discussed with some ministry officials as well. We don't have the easy answer on how that permissive authority would work yet, obviously because of the diverse sections of the province.

Mr Gary Cousins: I wonder whether or not the pre-market forces will really let us achieve the waste diversion targets we would like to achieve in this province.

To give you a specific example, in my area of Wellington-Guelph, the city of Guelph is proposing to build a \$36-million recycling plant out of taxpayers' money, funded by provincial and municipal funds, and it's our intention to compost and recycle as much as we can to meet those targets. At the same time, outside of our region there are two proposals for private landfill sites, one the Steetly quarry proposal and the other the RSI proposal in Halton.

Our understanding is that it's still, and I think the OWMA said it as well, a lot cheaper to landfill, on a dollar basis, than it is to divert. If there is no ability to control the flow of that waste, this facility in Guelph that is being sized to handle the ICI sector today may well lose that waste to cheaper solutions, and we won't be encouraging waste diversion.

Mr Mundell: One of the comments as well was that the private sector can be more efficient than the public sector in terms of picking up and disposing of waste—management. In our particular county of Wellington, we assumed the recycling facilities from private and in fact found savings ourselves in that particular area. I think it works both ways, depending on the individual setup of those particular municipalities and the private corporations around it. I think that's why it needs to be permissive, to allow those types of two-way communication. There are different areas it just works in, and there are others it doesn't.

Mr Tilson: I'm sure the debate will continue. I represent the county directly to the east of you, the county of Dufferin, and some of the problems that have been raised by municipalities in that specific county probably exist with respect to Wellington county.

As to the operation of this bill with respect to waste management, in other words, the collection of waste in a municipality, if you have the system being operated by a county, for example, the county of Wellington, as to garbage pickup, some municipalities have garbage pickup door to door, particularly the larger municipalities, and others in the county do not. Some don't have anything. You make your own arrangements, private or otherwise, and take it to the landfill site yourself. Some have blue box programs; some don't.

The whole issue of cost: There is the fear of some municipalities being obliged, because of the percentage of their financial contribution in the county system—fearful that it may be unfair, particularly to the larger ones, and that they will end up compensating the smaller groups for programs that are being mandated by the province and that they would not normally get into.

Can you comment on some of those problems, from your personal perspective, which I am sure apply to other areas such as my own riding; I'm sure other members of the committee have, particularly the rural members.

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Mr Mundell: I think we have the same sort of similar situations in Wellington county, and that's where public and private can work well together. In fact in our particular county, it looks as though once we get a site approved, which may be a day or two as of yet—we've been at it for seven or eight years now so we're going to keep treading along. But once we get a system approved, yes, it looks as though the county will own the site, but I don't envision the county actually being the operator and picking up all the individual waste across our county.

You are correct, in rural areas in Wellington it's the same situation where some have garbage pickup and some don't. That's where the private sector—

Mr Tilson: But the smaller municipalities, because it's being operated by the county system, could insist on saying: "Listen, such-and-such municipality"—a larger urban municipality—"is getting it. Why can't we?" This bill is going to put the counties in a very difficult position, will it not? I don't know. I'm not an authority on this; I'm simply asking the question. It may well be that that presumption is incorrect, but that's a fear that has been expressed to me by some, particularly the larger, councillors. It's not the larger councillors—maybe that too—the councillors from the larger municipalities.

Mr Cousins: Yes, we've had that experience and those conversations around our county council table. They really started with the recycling program, because we run a county-wide recycling program with county staff and we provide different levels of service of collection of recyclable materials across the county. So far, our municipalities have been satisfied that we do it in a cost-effective manner, which means that we have full collection in the urban areas and in rural areas we tend to put collection where there are concentrations of people and individual home owners have to bring their recyclable goods to centralized facilities where the population is quite dispersed. That's a choice that we made based on what we think are our community's needs, and I think county governments are capable of making those choices.

Mr David Johnson: In Metropolitan Toronto, this

bill permits the Metro council by a simple vote to take over waste collection, curbside collection. I don't know how many discussions you've had with the local municipalities here in Metro, but my guess is that what we may hear over the next couple of deputations is that there should be some mechanism for the local municipalities to also have a say in this matter, as they do in some of the other regions.

Suppose there was a system such that in addition to the Metropolitan approval, let's say a simple majority of the local municipalities needed to approve that as well, and I'm really talking about curbside collection. Do you have any problem with that?

Mr Mundell: I think it's the situation in Metro—I guess it's more the direct election issue—where Metro, obviously being directly elected, the municipalities, the lower tier there I guess, do not have in particular 100% say in what happens.

Mr David Johnson: They don't have any say.

Mr Mundell: That's an issue which under our county legislation or even the majority of the regional legislation is dealt with and is dealt with in terms that you have to have the majority of the municipalities, and we've supported that.

Mr David Johnson: So you don't have any problem with that.

Mr Mundell: We do have some Metro councillors on our environmental committee and have indeed heard those concerns from them, and I believe one is making a presentation later today.

Mr David Johnson: What's AMO's position with regard to incineration? I'm talking about an environmental assessment of incineration and of shipping to sites like Kirkland Lake.

Mr Mundell: I guess AMO's president being from Kirkland Lake, our position on Kirkland Lake is that we feel it should at least be moved into the environmental assessment. We believe that it should be looked at in those terms and have the studies done and decide whether or not that site is particularly viable, whether it's economically sound, whether it's environmentally sound and whether or not it will do the job.

Mr David Johnson: Get the information.

Mr Mundell: If it meets those criteria, then let's move ahead with it, by all means.

As far as incineration goes, I think we've said all along that we should look at all options. Incineration happens to be one of those options that we believe should be looked at in terms of your master plan process.

Mr David Johnson: Right on. Now, in flow control, isn't one of the concerns of the private sector that if municipalities have the right to designate where the garbage has to go and they also have the right to

designate how much they're going to have to pay for it, they're in a difficult spot? How do you get around that issue? My colleague across the way says Metro's been gouging at \$152 a tonne—

Mr Tilson: Yes, he says that all the time.

Mr Hayes: He speaks the truth, I guess.

Mr David Johnson: —although I must say, they've postponed the inevitability of another landfill site in his riding, so you'd think he'd be delighted about that, but apparently he isn't.

Mr Wiseman: Bill 143 does that.

Mr David Johnson: At any rate, now the price is back, but the private sector will say, "Look, you're going to tell us we have to dump in Brock or in Vaughan and you're going to tell us we have to pay \$152 a tonne, and when we can find other sites that are a fraction of the cost, how is that fair?" How do you deal with that issue?

Mr Mundell: It's obviously a major concern for the private sector, and we understand those concerns. I think that's why we've said today that we don't have an easy answer for the flow control issue. We believe it needs more study and we believe we should look at it with our private sector counterparts and the government and try to work towards some sort of system which would be fair and equitable to everybody.

One of the things that's been batted around from time to time is that maybe the tipping fee should be based strictly on the cost of waste management only. Now again, what's the definition of waste management and how do you clearly determine what the costs are? Do they include the costs of your recycling or not? There are a lot of issues there that we still need to openly discuss with our partners and try to come to some sort of decision with them.

Mr David Johnson: So would you suggest that those kinds of answers be dealt with first, before we proceed with legislation? What comes first here, the cart or the horse?

Mr Mundell: We're very concerned that if the legislation, and the amendments in particular, goes through, we will then have no flow control whatsoever and are very concerned that that may preclude the discussions which we have. We would prefer to work with our partners, have the discussions on the issue of flow control and try to come out with some sort of mutual position on it, if at all possible.

Mr David Johnson: The amendments that have been proposed are basically status quo, though, aren't they? I mean, you don't have flow control at the present time, so it doesn't really change the situation as it is today.

Mr Cousins: I stand to be corrected, but my understanding is that the recent county legislation gives counties flow control—

Mr David Johnson: Counties. I see.

Mr Cousins: —and I believe at least one or perhaps two of the regional municipalities have some form of flow control.

Mr David Johnson: Metro doesn't, but many do.

In terms of financing, and this is probably the major issue, where do you see—and you've rightfully, I think, raised this issue and raised the red flag that there are going to be problems in the future, and I've been saying this, until the government comes down and decides where the funding is headed. Do I take it from your comments that you see the user fee then as being a significant portion of funding in the future? How do you see that, as a minor component or a major component?

Mr Mundell: We see the user fee as a component, but a small component, of the system in the future. We see the product stewardship model as being the one which we would like to see moved on by the province. It seems to help the polluter-pay principle, which the province has talked about, and that's what we really supported. We are very interested in working with the different groups to try to be proactive and move some of these things forward.

Mr David Johnson: If I can just finish that one last bit, I just wanted to follow up on that in terms of provincial and municipal funding. Do you see their components going up, down or being basically level?

Mr Mundell: That's a difficult question to answer. I think the system will vary in each part of the province, but the funding issue is one which—everybody knows there's not a lot of money around for anybody right now, and I think if we move more into a product stewardship model that they may definitely help limit the amount of funding which we would have to put in.

The Chair: Thank you. I have a number of members indicating from the government side they would like to ask questions: Mr Fletcher, Mr Wiseman, Mr Lessard and Mr Hayes.

Mr Fletcher: One of the reasons that I agree with OWMA and one of the things that has really driven me away from municipalities has been N-4. You know exactly what I'm talking about. I mean, the fiasco that's been going on in the county and the city of Guelph is ridiculous: Millions of dollars spent on consultant fees, politics being played at every turn. The people say, "Yes, we agree. No, we don't agree," and look where we are today in the county. Then for the city to come to the ministry with its hat in its hand, "Can you fix our problem for us after we've spent all this money?" is ridiculous.

I think, had we had the regulations in place with private enterprise, we could have said to them, "How would you like to take care of this problem?" and they would have done it. They would have gone out and done the job, because that's what they'd be there for,

without the politics involved and everything else. That's one thing that really has thrown me aside as far as municipalities being given the power for what they're doing.

1130

As far as Kirkland Lake is concerned, you just think it should be studied, you're not making a decision on that right now. We're not saying that Kirkland Lake should be the garbage dump of Ontario—

Mr Mundell: On the Kirkland Lake issue, what we're saying is that we believe at least it should be moved into the environmental assessment process and reviewed with the rest of the sites. If it turns out that it is the site that is preferred, then move. If it turns out that there is a site which is better than that, then go in that direction as well.

Mr Fletcher: Do you think that's part of our problem that if we don't see it, we don't have to deal with it?

Mr Mundell: Possibly.

Mr Fletcher: As far as incineration, there are a couple of things I don't like about it: One is incineration in general. But in order for incineration to work, you have to produce waste, and that takes away from what we're trying to do, limit the amount of waste that's being produced. Incineration will only work on waste products being produced to dump into the incinerator, and that's one of the concerns I have. So we do take away from what has been happening as far as reducing, reusing and the 3Rs.

Mr Mundell: Our particular waste management master plan does discuss incineration, but it's the last phase. We go through the other hierarchy first, the wet-dry facility being part of that as well, and the very last, the end, the final product which is left, that's when the incineration would come into play, when there is nothing else we can do with it.

Mr Fletcher: One other thing: How about having the power to do something about the packaging at the local level, bylaws on packaging?

Mr Mundell: I'm not so sure that the packaging issue should be dealt with at the local level. I think it should be dealt with in broader terms, because there are all the imports which are coming in and municipalities just aren't equipped to deal with packaging at a local level. I think it's a provincial and even a federal issue which should be taken on so that we are consistent as well for the private sector, so that you don't get 900 different positions on packaging, you get one which is consistent. It's better for business as well.

Mr Wiseman: I'd like to start by saying that one of the areas I'm concerned about with this bill is the fact that upper-tier municipalities will be able to locate a dump in lower-tier municipalities, and that lower-tier municipalities' only venue for opposing this will be the

Ontario Municipal Board.

I have to tell you that my community has been dumped on by a totally incompetent municipality—

Mr Tilson: Your government.

Mr Wiseman: —which is called Metro Toronto—

Mr Tilson: It's called the NDP.

Mr Wiseman: On more than one occasion, there were attempts to try to lay charges against the works department at Metropolitan Toronto for this mismanagement of the Brock West landfill site. One of the reasons it's there is because the rest of the municipality decided that would be a good place to go and make a lot of money while making Metro rich in the short run and in the long run.

So my question very clearly is that given the hostility of communities—fostered, no doubt, by the incompetence of the running of some of these landfill sites, such as Metro's, which is notorious—would AMO support in this legislation an amendment which would require that whoever sites the landfills would be required to create a community liaison committee to monitor the operation of the site, of any site that's located either in an unorganized township or in some lower-tier municipality?

Mr Mundell: I think one of the issues with any particular landfill site and any particular operation is trying to get along with your neighbours. I think that's very important, and the landfill site is no different. I think it would be better to be proactive and have some sort of operational committee that can be involved in meetings to help look after neighbourhood concerns than it would be to be reactive and, every time there's a concern, get on the phone. Look at the issues first, be a good neighbour and deal with them as up front as you possibly can. I would think that in general terms the feeling would be that we would support that type of legislation or amendment.

Mr Wiseman: I have one last comment. One of the problems with the flow control issue, as I see it, and I'm still open for influence on this, is that we are making a fundamental error in the way we look at the waste stream. We look at the waste stream as waste. We don't look at it as a natural resource or a resource that could promote development. My major concern is that if we wait until we develop a market to buy the waste or the resource, then that sometimes is going to be a long time coming.

One of the concepts that has been suggested is that where you can sell the product in the market—for example, clear plastics and aluminum and others—then you do that—paper, bottles and all that—but where you cannot, where the market value of the product is such that it's cheaper to use a natural resource than it is to use a waste resource, you give the waste resource away, so that it always has a value lower than the market value for using a raw material.

For municipalities, this could be a very attractive thing in that it could also attract industries to use those products in the communities and could be an economic development tool, if you were to give the waste away where it cannot garner a market value rate. That's part of the product stewardship model, I think. Have you given that any thought?

Mr Mundell: In part of the discussions that we had on product stewardship—and I happen to be in private business; in my own municipality I have a family business, a Home Hardware store—one of the things that I've spoken of often in our committee sessions is that we should have more incentives for people to use these types of recyclable products, try to make the recyclable products more competitive and give people more reasons to use them. Yes, we would support that type of a situation. Somehow, we have to put incentives forward. We can't always be working at the back door. Sometimes we have to come at it in the front door. I think it's important that incentives are made for people to use these types of products.

Mr Wayne Lessard (Windsor-Walkerville): Thank you, gentlemen, for your presentation and taking the time to appear here today. Although you haven't made any suggestions for amendments today, I hope you feel free to offer those suggestions up until the time the committee considers this bill in clause-by-clause.

You were here when you heard the OWMA make its presentation earlier. They talked about flow control as well. The thrust that we got from their suggestions, and I can quote right from the brief, is that they're talking about amendment of the definition of a waste management system, which I think would address their concern. They said, "This would send a message to the private sector that you believe that there's a future for them in the waste management business." You've indicated yourself that you feel that the private sector has a role to play. But they wanted the assurance that flow control not be referred to in the bill, in order for them to feel encouraged to invest in waste management infrastructure here in the province. I wonder what your opinions are on that. How do we encourage them to invest if we don't also give them that comfort level?

Mr Mundell: I think that's a very important issue. As I said earlier, I think we as an association that represents our municipalities really need to sit down and discuss with OWMA and the province flow control. It's a very serious issue. It's the crux of the waste management system in the province.

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If you look at what the province is doing today, the Minister of Environment and Energy recently sent a letter to the Honourable Mr Charest to ask him about the consideration of garbage which was being sent across the border, and the province, in its own way, was looking for some sort of flow control there for the

provincial garbage which is flowing across the border.

Flow control's an issue which we don't have an easy answer for right now. We think we need some very serious discussions with our partners, and we think we need to have them right now.

Mr Lessard: Can you indicate whether you support it or not, as an association?

Mr Mundell: Permissive flow control, yes.

Mr Cousins: We think we need some forms of flow control. One of the reasons is, it gets right to the point of what the role is of municipal government in the waste management system, and I think that's what you're dealing with. If you look at waste across this province now, 60% of the waste in this province is ICI, 40% is municipal. Municipalities are being asked to divert 50% of the waste stream from landfill. If we made our 40% disappear into thin air tomorrow, we'd still be 10% short of your target.

What the amendment is really doing is saying that we'll give municipalities control over 40% of the waste stream and expect them to divert 50% of the waste stream from landfills. That's a difficult concept for us to manage.

Mr Lessard: I guess part of the reason that I'm focusing on flow control is because in our package of materials, we've been provided with a copy of the news release from AMO from April 21 of this year indicating AMO's support for the bill and the waste management powers to municipalities. But in that, it indicated there was some concern about the financial implications of the changes, which you've addressed, but it didn't say anything about flow control.

I just wondered whether there had been some change of position, or some reason it wasn't addressed in the news release at that time, because the minister did make some comments about flow control afterwards, and he may have been influenced by AMO's position at that time.

Mr Cousins: First of all, we were content with the legislation as it stood. When we responded to the legislation, we were responding to the legislation as it was introduced.

The concerns that we expressed today are directly related to the amendments being produced by OWMA, which we didn't have at the time.

Mr Hayes: Mr Mundell, on page 4 of your presentation you state that:

"We therefore do not support an amendment to the definition of 'waste management system.' The OWMA's proposed change to the definition would limit options for the development of a waste management system which includes the public and private sector and ensures that government, in this case municipal government, can plan for all of the waste generated and managed in its jurisdiction."

You talk about how it would limit the options. Can you elaborate and tell us how it would limit?

Mr Mundell: I think the comment goes back to what Mr Cousins said earlier, that what we really end up doing is having control over only 40% of the waste stream and yet still responsible for the diversion targets of the 25% and 50%.

Mr Hans Daigeler (Nepean): I should say that unfortunately, our Municipal Affairs critic had to be somewhere else, so he left a few questions with me.

Let me ask, first of all, on that most important question of flow control, you keep saying there should be some discussions with the private sector, and frankly this makes me a little bit nervous. If it is so important, why are there not discussions under way right now? Why are there not extensive negotiations? Are you not currently sitting at the table with the private sector to come to some agreement? Perhaps you could describe a little bit as to what is happening and what you're planning specifically on that issue to facilitate some sort of a common approach.

Mr Mundell: I would say to you that we have met with OWMA on, I believe, three occasions. We met last week with them at a breakfast meeting, and we discussed their presentation and our presentation, and we discussed their amendments. Our next course of action, as a committee of AMO, is to get a hold of OWMA once again, and we would like to sit down and try to go through the flow control issue once more, harder, faster.

So we have had discussions on flow control. We have had discussions on overall waste management systems. We had a one-day symposium with them to try and get the partners to the table and try and create some dialogue, and now we need to move further on that.

Mr Daigeler: Is the ministry involved in this at all? Is there any kind of solution on the horizon? Are there any kinds of approaches being discussed that may bring all of you together?

Mr Mundell: The ministry hasn't been involved, but they've been involved in separate meetings. They've met with the OWMA separately and our committee separately. What we'd like to do is put all parties in the room together and try and work through. One of the other major issues which is involved is financing. It's our understanding that we would see a paper on the financing issues very shortly, because they all tie together; flow control and financing seem to tie in with the waste management system. So we'd really like to see the ministry's position on the financing as well so we can look at the whole picture together.

Mr Daigeler: Obviously, that would seem to me a most reasonable approach and very logical. Who do you think ought to take the leadership on this? I mean, obviously somebody has to push it. In my experience, both in the public and private sectors, if you don't have

any one or any particular group that assumes responsibility for making it happen, it's very difficult that it actually will happen. So is AMO the lead group on this? Who would you say should push this agenda?

Mr Mundell: I would say to you right now that the private sector and OWMA have been very receptive to meeting with us, and I don't think there are any concerns with setting up meetings. If AMO needs to take the lead, we will. We've said recently that we want to be proactive, not reactive. This is part of our overall strategy to be proactive, and we would try and set up such meetings.

Mr Daigeler: Okay, thank you very much then. You indicated that there were these two main concerns you had with the legislation, but other than that you seem to be quite satisfied with the legislation. Is that in fact so; other than these two main points, you're satisfied with the bill?

Mr Mundell: Yes.

Mr Daigeler: You mentioned in your brief that you supported the idea of user fees, although you say very clearly, and I think you're right, that's obviously only a small step in the direction of waste management. On the issue of user fees, however, have you had any kind of discussion with the Ministry of Municipal Affairs on how this would work with the municipal sector? Have there been consultations and where are they at if there have been any?

Mr Cousins: It's been discussed on and off, perhaps not as seriously as it should be. There seem to be a number of different alternatives being put forward, like paying on a per-bag basis, which is a project that's being done within our county right now. I guess our position is: Give us as many tools as you can to implement user-pay systems where they're needed.

Mr Daigeler: You just said in your municipality that is working right now?

Mr Cousins: We have a small project going with the user-pay system in one of our small hamlets. It's a pilot project that the Ministry of Environment is involved with in one of our communities to see how a user-pay bag system and a blue box system will work together.

Mr Daigeler: Can you describe a little bit how successful that has been at this point or what the reaction has been and how long it has been in existence? Is it something that seems to be working or is the experience not working?

Mr Cousins: It's being done on a very small basis. It's actually being done in the municipality of the warden of our county, and he tells me it has been received extremely well by the residents and that it in fact has encouraged more use of the blue box program within that small area that it's being done in. So it is working.

Mr Mundell: Blue box and composting as well.

Mr Daigeler: Talking about composting, in terms of the organic waste, I understand there's only one facility that takes that organic waste. What would be the impact, especially on restaurants, if the municipalities would take this over? How do you see that happening, the organic waste from restaurants and what additional costs might be in particular for restaurants for handling the organic waste?

Mr Mundell: Source separation is an issue that indeed will cause private industry difficulties to get involved in. It will cause them space limitations and cause them to have their employees far more knowledgeable on what's allowed to be separated and what's not. So, no, it won't be an easy system by any means, but for us to get into the diversion programs and meet the 25% and 50%, I think the people of this province will, or are going to have to, deal with some issues which are away from what they have normally been doing. We have to change the way we're doing business. That's going to be a reality of the situation.

Mr Daigeler: Perhaps one final question. To come back to the very first point, how strongly do you feel about the proposed amendment that the minister apparently is willing to put forward that will restrict the control by municipalities? Do you feel one ought to make an effort to hold up this legislation until you have arrived at some agreement with the private sector surrounding this issue, or do you feel this bill as it is and with the possible amendment is important enough that it be passed and we'll see what happens afterwards?

Mr Mundell: I think we'd rather see the amendment being held up versus the bill. It's the amendment that we don't support. We support the legislation as it's presented now. I think the issue is that we do not want to prejudge any discussions which we would have with the private sector. If you put these issues into legislation, it's far harder to change the legislation to allow some different types of permissive flow control.

The Chair: Thank you, Mr Daigeler. Thank you, gentlemen, for your presentation today. It's been very helpful.

The committee would note that we have a list of presenters for this afternoon, starting at 4 o'clock. I would urge the committee to be here at 4 o'clock. We have a very tight schedule. The time lines are not as generous as the ones this morning were. Therefore, staying to our schedule will be very, very important. I have some concerns about this afternoon. I think the Chair at subcommittee indicated those concerns about holding committee hearings during the last technical afternoon of the House. Therefore, it will be helpful to the committee if all members present themselves at 4 o'clock and we move expeditiously through the work we have in front of us.

I would also like to indicate to the committee that we have had a reply, addressed to Mr Daigeler, the Vice-Chair of this committee, regarding comments that were made in Hansard regarding the Ministry of Environment and Energy. We have the minister's reply, and I think members should consider this to be an exhibit.

Mr Mammoliti: On a point of privilege: I found it really hot in here today. I'm wondering whether or not we can cool down the room while we're not in it.

Mr Daigeler: I second that point.

The Chair: Mr Mammoliti, I think that's a concern certainly felt by the Chair. The clerk is trying to make arrangements for the additional days we will be having in committee in a committee room where we can operate the air-conditioner during committee hearings, which would be most helpful to the committee. Certainly, we'll see that the machine is stoked up and ready to go. As you know, because of the construction the windows are not able to be open, which does not help either. So I note your concern, Mr Mammoliti.

Mr Jerry Richmond: I want to indicate to committee members, this being the first day of deputations, we from legislative research, myself and Lorraine Luski, whom you know, will be preparing one of our standard summaries. Jim has seen the one from Bill 143. So we'll be doing one of those, and if any of you should have any other additional concerns or research questions, you can put those on the table or approach me directly, and Lorraine and I will attempt to handle them as best we can. So thank you.

The Chair: The committee is adjourned till 4 o'clock this afternoon, precisely.

The committee recessed from 1154 to 1558.

CITY OF NIAGARA FALLS

The Chair: The first presentation this afternoon will be made by the city of Niagara Falls, Edward Lustig. Sir, if you would like to introduce yourself and your colleague for the purposes of Hansard. You have been allocated 20 minutes for both your presentation and any questions by the members. You may begin.

Mr Edward Lustig: Thank you, Mr Chairman. I'm with Mr Schram, who is a consultant with the firm of Proctor and Redfern, and that firm advises the city of Niagara Falls on waste management matters. I am the chief administrative officer for the city of Niagara Falls.

I take it that the brief that we've prepared has been distributed. I might point out at the outset that this brief has been distributed to the Ministry of Environment and Energy and that we've advised the regional municipality of Niagara of our intentions to appear and make submissions with respect to this bill.

I'm here today on behalf of the city, as authorized by the mayor and council, to present this brief on a matter that they consider a most important and immediate matter.

At the outset, I'd like to thank the committee for taking the time to hear our submission and to note that our mayor was anxious to attend and present this brief but was called away on other business.

The purpose of our brief is to suggest an amendment to Bill 7. The reason for our suggested amendment is to assist our city and the other 11 municipalities in Niagara region in tackling the ever-growing waste management crisis.

There are many reasons why we are so interested in the manner in which Bill 7 becomes law and ultimately affects the Niagara region. By way of a brief background—and I'll return to this—the city of Niagara Falls has worked alone for the past 15 years to expand its own existing landfill site. We know the cost, we know the lost opportunities, and we know more than ever the effect on our citizens and businesses, as we are currently involved in an Environmental Assessment Board hearing to consider an application for a nine-year extension to our landfill. We are therefore interested in ensuring that the necessary jurisdictional situation in Niagara region exists so that a cost-effective environmentally suitable and stable long-term waste management system is available to Niagara Falls and its neighbours within the region.

In our view, a secure and stable long-term waste management system is imperative if our city is to remain a cost-effective location for business to operate.

The region of Niagara was formed in 1970 through the Regional Municipality of Niagara Act. For some reason, that act did not assign responsibility for waste management to the region but it remained a municipal responsibility, although all other regions within the province created before and after were given that power. The regional Niagara act provides a type of permissive ability for municipalities to request the region to assume the responsibility for waste management, if so asked. To this point, the municipalities have not initiated such a request.

My council has established a position on the matter of jurisdiction for waste management which was to be used as a focus for gaining support from other municipalities for a request to the region. This was done by way of a council resolution in January of this year. The basis for the Niagara Falls position is that it is the view of the city staff and council that the preferred approach with respect to solving our waste management problem is to transfer waste management jurisdiction to regional Niagara and provide the necessary support to solving the regional waste dilemma.

Leading to the decision of our council to request this change in jurisdiction was the Niagara Region Review Commission report which was completed in 1990. This report, often referred to as the Kitchen report, examined the region in its entirety as part of the regional review process that was undertaken in several Ontario jurisdic-

tions at the request of the province. The Kitchen report examined the jurisdiction for solid waste and other public works and utility functions in Niagara region, and recommendation 10.4 is relevant.

That recommendation said that the region should assume responsibility for solid waste disposal across the entire region of Niagara. So as recently as 1990, you have a study that was commissioned by the province recommending to you that you transfer responsibility for this to the region, as in all other regions within the province.

The reason given by Mr Kitchen for this recommendation is that all other regional governments in Ontario are responsible for waste management. More importantly, it was concluded that waste management was seen as a service that can be undertaken in a more cost-effective and efficient manner by the government, ie, the region encompassing the larger geographical area. The Kitchen report was a comprehensive effort that examined all aspects of the regional and municipal relationship and, as such, its conclusions should be taken seriously, seeing as they represent an independent and learned view of the municipal government in Ontario.

The region, in response to the recommendation, established what is known as the Kitchen 10.4 task force. The task force, which included representatives from regional council and staff from the area municipalities, was formed to consider the advantages and disadvantages of the recommendation. The task force concluded in March 1990:

"The regional waste management master plan should be the guiding document. In the short term, the clubs are moving to resolve immediate needs. The region should continue to review the status from time to time as recommended in the waste management master plan and take steps as appropriate to avoid the crisis situations that have developed in other jurisdictions. A 10-year lead time is suggested."

In considering that recommendation, I would like to make two observations. The first is that since that conclusion was reached in March 1990, very little progress has been made by the area municipalities in the Niagara region to address the waste management problem. In addition, we are not aware of the region undertaking a review of the status of our planning efforts. My second observation relates to the parochialism that pervades these kinds of activities in the Niagara region. Indeed, it is this municipal self-interest that has established the obstacles preventing an objective and comprehensive assessment of the waste management problem in Niagara.

We can advise the committee that the Niagara region has been extremely cautious in its examination of jurisdictional matters since the report of the 10.4 task force. In April of this year, the regional public works department provided a comprehensive review of the

Ministry of Municipal Affairs discussion paper entitled *Municipal Waste Management Powers in Ontario*. In that review, regional public works identified many of the waste management problems in the Niagara region, which we have also noted as part of this brief. However, without the support of its area municipalities, the region would be hard pressed to make any advances to assuming the responsibility for waste management.

Notwithstanding some very compelling reasons why the region of Niagara should assume responsibility for waste management, the review was noncommittal in its conclusions. In its review, regional council decided to maintain its previous position of December 1990, which stated that:

"If the region were requested to assume additional responsibility for solid waste activities, it would endeavour to work within the existing 'club' framework until such time as the situation warranted review and consideration of alternative arrangements."

Copies of the regional review were provided to the Minister of Environment and Energy, the Minister of Municipal Affairs and area municipalities in Niagara region. With the exception of Niagara Falls, no other area municipality initiated the necessary steps to request the region to consider assuming the responsibility for waste management.

Finally, with respect to the matter of jurisdiction, a report on development charges in the Niagara region by a public advisory committee made up of volunteers from business and citizens considered the implication of the Development Charges Act. Although that act does not directly affect jurisdiction for waste management, the committee did recognize the economies of scale for providing certain system services at a regional level. The public advisory committee recommended that water, sewer and garbage should be regional matters.

In summary, the issue of waste management has been around since the formation of the region. It has been dealt with several times in the last two or three years, and in all cases independent reviewers concluded that waste management responsibility should be regional. This is an issue that will not go away until the matter is finally resolved, and we feel that Bill 7 can provide that opportunity.

Before I provide our suggestions for the amendment of Bill 7, I think it is important that the committee understands the extent of the problems in the Niagara region and that the inability to solve these problems in a timely and cost-effective manner is to a large extent the result of this jurisdictional situation that currently exists in the Niagara region, in other words, that the area municipalities have that function.

The waste management crisis in Niagara Falls is real. Our landfill is currently operating on its third emergency certificate of approval, and that will expire this

October if approval is not received on an interim application. An interim expansion of our landfill is required until a longer-term disposal facility becomes available through our master plan studies.

We have spent considerable funds on a team of consultants and legal experts and in assisting intervenors, at our expense, in reviewing our application. The result is almost 15 years of study, unyielding criticism of our application, the terrible uncertainty about our short- and long-term future and, unfortunately, a growing contingent of elected representatives, business people and taxpayers who are questioning our continued participation in the waste management business and our financial ability to continue to maintain and expand our waste diversion 3Rs programs.

As I noted, we are not alone in the Niagara region. There are several other serious problems that in our view are symptomatic of the problems across Ontario with respect to waste management that are severely compounded by the fact that each of the 12 municipalities have separate jurisdiction for waste management. The difficulty with this shared responsibility has been recognized for many years and at least since 1975 when regional Niagara completed its first of several waste management master studies. That study and the most recently completed regional waste management master plan in 1989 acknowledged the differences between Niagara region and other regional jurisdictions in Ontario with respect to this jurisdiction.

However, the conclusions of these studies were seriously affected by municipal interests in that the matter of jurisdictional change was not seriously considered. Indeed, the regional study involved the full participation of the municipalities and continued to recommend the status quo, that is, continuing to permit municipalities to solve problems and suggesting what is known as the "club approach."

The club approach, as described in the regional master plan, involves a participation by two or more municipalities by agreement, not mandatory. Experience has clearly shown that the success of the club study is a function of the willingness of municipalities to continue to participate and how the results of the study may or may not affect the individual participants.

In Niagara, we have found serious problems with the club approach, and some of these are detailed in the paragraphs following on page 5 and the top of page 6. If I can skip ahead to the last paragraph of that part at the top of page 6, in examining the progress of the other studies, the collective progress is indeed disappointing. Several million dollars have been spent, many studies have been produced and we have difficulty identifying any real progress in solving the waste management problem in Niagara. There is an urgency in dealing with the issue of jurisdiction as soon as possible and before any more substantial costs are incurred to develop

separate master plans at the municipal level.

Our proposed amendment: The committee may well understand now why the city was enthusiastic about Bill 7. We think it's a good bill. In our view, it is a progressive and long-awaited act, not only with respect to Niagara region but to other municipalities trying to solve waste management problems in Ontario.

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We agree that subsections 33(1) and (2) of the Regional Municipality of Niagara Act should be repealed. However, our primary concern is that the permissive approach proposed in section 150, section 5 of Bill 7, should be mandatory. It shouldn't be left to the regional council. There should be leadership shown by the province. It should be mandated, just as with the other regional municipalities in the province. As it now stands, regional Niagara will have the ability to assume waste management powers but not the obligation. Recognizing the history in Niagara and the parochial interests of the participants, the need for mandatory legislation is clear.

We recommend that the date of September 1, 1994, be established as the date when the region of Niagara would assume waste management responsibilities from its area municipalities. The earliest possible date is necessary between the approval of Bill 7 and the transfer of jurisdiction to avoid any delays or the stopping of master plan studies until the region takes over. Some lead time is required to properly plan for the transfer. We recommend that the legislation require the preparation of a transition plan by the region to be finalized and approved by the regional council at least six months before the region assumes power.

The preparation of the transition plan would be an essential element in the transfer of waste management power. The plan would be the responsibility of the region and be prepared by the region, but with the input and participation of the area municipalities. The primary objective of the plan would be to establish the implementation framework for a fair and equitable transfer of power.

There are several specific matters which the transition plan must address, and these are listed at the top of page 7. The transition plan would detail the powers and responsibilities of the region in all areas of waste management. It would also describe the role of the municipality and its responsibilities in waste management.

In our view, the only responsibilities that should lie with the area municipality would be to continue the collection of waste for disposal and the separate collection of materials for diversion.

Our proposed amendment to Bill 7 is not without precedent, nor does it represent any dramatic shift in the regional-municipal relationship so long experienced by

all other regions and more recently by several counties in Ontario. Rather, it deals with a matter that should have been addressed in 1970. The fact is that we're the exception now.

Why is the amendment needed? Perhaps we could take some time with the committee to provide the reasons we believe Bill 7 in its present form will not solve our problems and, more importantly, will put the most important matter of waste management back in the political arena.

Respectfully, the matter of waste management jurisdiction is not an issue on which 12 different municipalities can agree. As noted, the issue of regional jurisdiction, on any number of matters, is one which creates emotional discussion even 20-plus years after the region was formed. It is also a region where parochialism has an effect on major decisions made by the regional council.

Some of the important reasons the amendment to Bill 7 is needed include the following:

The current jurisdictional situation in Niagara results in inefficiencies, inequities, duplication of several waste management services and, in the final analysis, higher costs.

I'm skipping down to the next bullet. The matter of regional jurisdiction has been supported by the public. In our own Niagara North study—we're in a club called Niagara North—we completed a public attitude survey, and there was clear support for the region assuming the responsibilities. These views have also been expressed at every one of the public meetings held as part of our Niagara North master plan. The region's own environmental advisory committee, which is made up of citizens and business leaders, continues to support this change.

We also note that the Commission on Planning and Development Reform in Ontario, which was established in June 1991, produced a draft report dealing with planning matters in Ontario. While we acknowledge that the report does not deal with waste management matters and it has yet to issue a final report, we must note that the commission frequently commented that the nature of a renewed planning model would be for upper-tier municipalities, such as our Niagara region, to address significant matters. Clearly, the planning for implementation and operation of waste management programs and facilities is a significant municipal and provincial matter.

In our view, the position of the Ministry of Environment and Energy is well known, if not publicly stated. They are in consultation with Municipal Affairs. They have initiated the discussions on the authority for waste management and were a contributor to the discussion paper on waste management powers that I previously referred to. The paper expressed the need for upper-tier

municipalities to address jurisdiction and responsibility for waste management. I might note that the Association of Municipalities of Ontario also supports the position.

Finally, a change in jurisdiction will permit Niagara to provide a coordinated and better response to current and expected provincial regulations, in the view of our own waste management experts whom we consulted in preparing this paper. There continue to be more opportunities available, if only by virtue of more resources to establish diversion programs and facilities such as centralized composting. It also provides an enhanced ability for Niagara region to discuss waste management opportunities and solutions common to problems with other regions. I think we are all aware of the coordinated efforts being undertaken in the greater Toronto area to solve waste management problems. That model has some merit in terms of combining resources to provide a more cost-effective and indeed better overall approach to waste management planning and implementation.

As I noted earlier, we are in agreement on virtually all points of Bill 7, with the exception of the section I referred to. With respect to regional Niagara, we would recommend that section 160, which describes the assignment of waste reduction powers, should include regional Niagara. In our view, this is necessary to increase waste diversion performance in Ontario, increase the diversion opportunities available to area municipalities and, as important, it should reduce the overall costs of waste diversion.

Our motivation to see these responsibilities clarified and established with the region is based on our recent experience in trying to resolve these problems through cooperation and negotiation. Our own attempts to establish a club approach for recycling through the preparation of a cooperative agreement failed to include all area municipalities. There wasn't a consensus, or there wasn't agreement, of all area municipalities. The intent was to work together to enhance our opportunities and reduce costs.

The time and effort taken to establish the regional recycling club could have been better spent on other municipal problems had the region the responsibility in what is proposed under section 160. In our view, only with the approach outlined in section 160 can we as municipalities sustain the long-term feasibility of our recycling programs and other types of waste diversion activities, which are now under some attack because of cost.

In conclusion—

The Chair: You have about one minute to conclude.

Mr Lustig: Our conclusion, then, briefly stated, is that the authority ought to be transferred to the region as it is in all other areas of the province, and principally from a cost-efficiency point of view.

In the limited time we have for questions, we'd be pleased to answer any questions that come forward.

The Chair: I could entertain one question from one caucus. It's the government caucus's turn in the rotation. I have four members on my list: Mr White, Mr Hayes, Mr Wiseman and Mrs Harrington.

Ms Margaret H. Harrington (Niagara Falls): I would like to share my time. First of all, I recognize the history and the difficulty you've been through. I really believe it should be at the regional level as well, and I stated this when I was on city council back in 1988. I think there's a whole lot of logic to it and it makes good economic sense for the cost of recycling and diversion. I don't understand why the other municipalities don't see that logic and good economic sense, because in this bill you recognize that you have the ability to do what you want, and you have to have the agreement of the other municipalities. That's all I have to say, and I would like to hear comments from my colleagues who have been dealing with this bill.

The Chair: Unfortunately, Mrs Harrington, the time has expired; as you know, we're on a very tight time line for today.

Thank you very much, gentlemen. I'm sure the committee will review your brief in total, and we certainly appreciate the constructive comments you've made.

ONTARIO RESTAURANT ASSOCIATION

The Chair: The next presentation is from the Ontario Restaurant Association, Paul Oliver. Good afternoon. Welcome to the committee. You've been allocated 20 minutes for your presentation. If you would like to identify yourself and your colleague for the purposes of Hansard, you may begin your presentation, hopefully leaving some time for some questions and answers with the members.

Mr Paul Oliver: On behalf of the Ontario Restaurant Association, I'd like to say that we're pleased to have the opportunity to appear before you today. I am Paul Oliver, the president of the Ontario Restaurant Association, and with me today is Constance Wrigley, our manager of municipal government affairs.

The ORA is a non-profit association which represents restaurants and foodservice establishments in Ontario. The association was founded in 1931 and currently represents approximately 8,000 individual foodservice establishments. The association represents all aspects of the foodservice industry, including licensed, non-licensed, contract caterers, accommodation establishments, quick-service restaurants and many other types of foodservice establishments.

Since 80% of the restaurant industry is comprised of small, independent operators, this creates several unique challenges for our industry in implementing programs to reach waste reduction objectives. The ORA welcomes

the opportunity to discuss with you today the issues facing Ontario's restaurant and foodservices industry regarding waste management and, in particular, the impact the proposed changes contained in Bill 7 will have on our industry.

The next debate represents a major challenge for the foodservices industry. As a front-line industry that is reliant on consumer confidence and consumer trust, the foodservice industry has been a leader in waste reduction and waste management practices. Unfortunately, many of our members are finding that the existing infrastructure required to implement additional responsible waste reduction initiatives is not adequate or is simply not available.

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We welcome the opportunity to cooperate with the government to address these issues and to work to implement policies which facilitate the development of infrastructure required to enhance recycling.

We believe that changes to Bill 7 should be introduced to address the infrastructure void which currently exists. We're supportive of many sections of Bill 7, especially those which encourage recycling. We're also strongly supportive of initiatives which are designed to enhance the infrastructure available to accommodate recycling programs.

While being supportive of several parts of the legislation, including many of its underlying principles, the ORA is concerned with a number of components contained in the legislation which go beyond what we believe was the original intent of the legislation. The ORA believes that many of the concerns held by foodservice operators can be addressed through amendments which provide further clarification of the definitions and terminology already contained in Bill 7.

At this point, I'll turn things over to Constance to address specific issues in Bill 7.

Ms Constance Wrigley: One of our major concerns surrounding Bill 7 is over the legislative impact the bill will have on private waste management companies, as well as the legislation's effect on commercial waste generators.

A great deal of confusion and concern has arisen in the foodservices industry regarding the potential consequences of Bill 7. It is our belief that it was not, and is not, the intention of the government of Ontario to use Bill 7 to encroach on the private sector. However, the current wording contained in Bill 7 is of a broad enough nature that it could be misinterpreted to include both private waste management systems and commercial waste generators.

The definition of "waste" includes "industrial solid waste" and "municipal refuse." This would suggest that Bill 7 includes all solid waste generated by the commercial or industrial sector, even that which is currently

managed through privately contracted waste management systems. We believe that the term "industrial solid waste" should be deleted from the definition of "waste" contained in the definitions preamble.

We are also concerned about the current definition for "waste management system," which currently reads "facilities and services for the management of waste, including the collection, removal, transfer, processing, storage, reduction, reuse, recycling and disposal of the waste."

This definition does not suggest that the parameters of Bill 7 are confined only to systems that are and have been within municipal control. Instead, this definition, if interpreted liberally, could be construed to mean that the municipal government has been granted ultimate control over all local waste management systems, including existing private sector systems which service the commercial sector. This definition, associated with additional powers granted in Bill 7, would give a municipal government flow control over all waste, and this in turn could be used to exclude private firms from the waste management system. If this were permitted to happen, it would place a tremendous hardship on the commercial sector, in particular on small foodservices operators who rely on the customized waste management services provided by private companies.

We are seeking a clear statement and amendments from the government of Ontario which would clarify that Bill 7 will not impact private waste management contracts and arrangements with the commercial sector. We are concerned about provisions contained in section 208.5 in the bill which would enable a municipality to establish one waste management arrangement system and exclude all existing private waste management contracts.

Section 208.5 reads, "A bylaw under section 208.2 includes the power to provide waste management facilities and services to all or any defined area of the local municipality at the expense of the owners and occupants of the land in that area, and impose upon that land, according to its assessed value, a special rate to defray the expense of the waste management facilities and services."

It is important that an amendment be introduced to Bill 7 which states that the powers contained in section 208.5 pertain only to waste management services currently provided by the municipal government or only to domestic waste generated from the residential sector.

We are concerned about the cost implications of Bill 7, especially in light of other initiatives which would see the introduction of the mandatory blue box system and household composting in most communities.

There are two funding options outlined in Bill 7, that of user fees and property assessments. Considering the rapidly escalating cost of waste management for the

commercial sector, the reduction of transfer payments and the enhanced waste management infrastructure required for domestic waste, we are very concerned that municipal governments might look to the commercial sector to fund a disproportionate share of the waste management system and to support new domestic waste management facilities and systems.

Section 208.5 of Bill 7 would allow a municipal government to impose a special rate or property assessment to all rateable property in order to defray the expense of providing waste management facilities and services. This is of major concern to us because it would permit municipalities to impose a waste management levy on foodservices operators who already pay for a waste management system through contracts with private waste management firms.

We do not believe it is fair that operators should be expected to pay twice for waste management services, once to a private contractor and a second time to support a public system which they may not utilize and often cannot access.

In order to avoid this double taxation, we believe that special assessments should only be permitted to be used by municipalities on a usage basis. This would ensure that foodservices operations, which are often required to utilize private sector waste management companies, are not forced to pay twice for waste management services.

We are also concerned about provisions contained in section 208.6 which would permit municipalities to impose different rules, fees and incentives for different classes of premises. This provision creates the opportunity for municipalities to impose higher waste collection fees than those imposed on home owners. We believe that all waste generators should be treated equally and all classes of waste generators treated the same, proportionate to volume. This can be ensured if Bill 7 is amended so that the municipal governments are permitted to use only usage fee levies that are uniform for all classes of waste generation.

We have a couple of concerns about the provisions contained in Bill 7 which permit municipal governments to impose source separation requirements. First of all, this broad power does not accommodate offsite or central separation facilities which in foodservices establishments will become necessary, and secondly, this provision would create a patchwork of source separation requirements which will place a tremendous burden on multiple outlet operators. Ensuring Bill 7 does not impact private waste management contracts would address this concern.

We are concerned that Bill 7 is beginning to decentralize waste management initiatives and is undermining initiatives outlined in Bill 143. Within the foodservices industry, many chain operators are represented in a large number of municipalities. Since Bill 7 moves reduction and recycling initiatives away from provincial standards

and towards a municipal patchwork, the administration and compliance burden placed on multiple location operators becomes greater. This could place a substantial financial burden on multiple unit foodservices operations as well.

This variance of municipal regulations also highlights the need for private sector waste management firms which operate on a province-wide or regional basis, because these organizations can provide the customized, chain-wide waste management services required by province-wide or national foodservices operations.

We are disappointed that Bill 7 does not do more to address the lack of infrastructure, which is required to effectively implement waste recycling programs and to attain waste diversion objectives. Within the foodservices industry, the lack of adequate infrastructure is a serious problem.

In the foodservices industry, organic waste represents the greatest portion of the waste stream, well in excess of 50%. A large percentage of the organic waste stream could be diverted away from the waste disposal stream and into composting, provided adequate central composting facilities are available. Currently, there is only one facility in all of Ontario which will accept food waste, but due to geographical restrictions, the facility can only service a very small portion of the foodservices industry and its capacity can only absorb a very small percentage of the total organic waste stream from foodservices establishments.

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We are concerned that if amendments are not introduced to Bill 7 which clarify that this legislation will not undermine private sector waste management organizations, it will act as an enhanced disincentive against private sector investment in waste management infrastructure.

Many members of the food services industry have concerns regarding the potential impact Bill 7 could have on the commercial sector and private waste management firms. As previously noted, the Ontario Restaurant Association does not believe it was the intention of the government of Ontario to intervene in or undermine the waste management services provided by the private sector. We believe that this confusion can be alleviated through a number of minor amendments surrounding definitions used in Bill 7. We encourage the government of Ontario to introduce these important amendments prior to third reading of Bill 7.

On behalf of the Ontario Restaurant Association, I would like to thank you for the opportunity for myself and Paul to be here today before the committee. We look forward to your comments and questions.

The Chair: I have about two minutes per caucus.

Mr Grandmaitre: You say there's only one major facility in all of Ontario which can accept food waste?

Mr Oliver: From the commercial sector.

Mr Grandmaître: And due to its geographical restriction, it can only serve a small portion of the food services. How about the rest of them, especially fast food people? What do they do with their waste?

Mr Oliver: It currently goes to landfill sites, unfortunately. It represents in excess of 50% of the waste stream from the restaurant industry, organic food waste. Currently, there is only one facility, and it's in the Niagara Peninsula, that can accept commercial food waste.

We've been working with a number of private firms to develop or to encourage the development of other facilities. It's just impossible to take food waste from Ottawa and ship it down to Niagara. One, the cost of doing that is outrageous. The taking of food waste through a community is not something that most communities along the way would support. But also the volume that the facility in the Niagara region can accept is less than 1% of total output.

To reach the objectives, the targets that have been set, we need to ensure that there is an avenue to divert organic waste. We've had chains that have put source separation programs into place and had it going to a facility and the capacity of the facility has not allowed it, or there's been a recent shutdown of one facility. That waste now has to be redirected back into landfill. We're quite concerned that if the provisions relative to the private sector participation in the waste management system aren't addressed, we won't be having the people come forward to make the investments into a central composting facility, the ones that are needed.

Mr Grandmaître: I was thinking of a franchise: Tim Horton's, McDonald's, Harvey's and all of these people. Naturally, it's going to cost them more to get rid of their waste.

Mr Oliver: The cost isn't the major component. For a chain restaurant like McDonald's, if they are having to do source separation in one municipality one way and another one in a different way, what they are doing is using central companies that will do the processing, and they will do uniform source separation; that is, every store is identical.

What we're very concerned about is that we will get piecemeal, this patchwork: that Mississauga will have one rule, Niagara will have another and London a different one. For a chain operator, it makes it very difficult to respond to that because they're changing. By using a private firm that's on province-wide, or even having province-wide standards, which we have now, it addresses that because you have one rule that's applied to all your franchisees or all your corporate stores.

Mr David Johnson: I just wondered if the restaurant association had seen the OWMA brief. They were concerned about flow control as well, and flow control

seems to be one of your major concerns. Have you seen their brief?

Mr Oliver: Actually, no, I haven't.

Mr David Johnson: They suggest that "waste management system" be amended to mean facilities and services that are owned, operated or controlled by a local municipality or other public body for the management of waste, including collection, removal, transfer, processing, etc of waste. Would the inclusion of the words "local municipality" in there address your concerns with regard to flow control, remove the flow control from the ICI sector?

Mr Oliver: Yes, addressing it by having specific controls placed on or just wording that addresses that would ensure that ICI—because we have some areas such as the organic waste now that we have going from Mississauga to Niagara region. Under current proposals, you could say that Niagara would say, "No, we're not accepting it," or that Mississauga wouldn't allow it to leave.

Mr David Johnson: Maybe you would just do me a favour and see theirs, because I'd appreciate it, if you feel that their definition covers your concerns.

Mr Oliver: Yes.

Mr Tilson: Just a brief question: You're very generous when you say the Ontario Restaurant Association does not believe it is the intention of the government of Ontario to intervene or undermine the waste management services provided by the private sector.

Mr Hayes: That's a correct statement.

Mr Tilson: Very generous. However, I guess my question is that on this and other pieces of legislation, Bill 143, the whole issue of disposal of waste, the government has yet to put forward its plan as to how all this wonderful work is going to be paid for. My feeling is that it in turn will be passed on to the municipalities and, because of the restraints put on them by the provincial government, it will be in turn passed on to you and others in the private sector, which will create huge job losses and who knows what, simply because of the cost of disposing of it. Have you had an opportunity to discuss with government officials how all this is going to be funded?

Mr Oliver: We've had discussions with ministry officials, not specifically on the funding aspect but on the whole objectives for our industry. Our industry has taken a role of funding its own waste management system. Our concern is that we don't want to end up paying for residential, for example, the composting facilities at the back of the house. Someone's going to pay for those and we think it should be paid for by the user, and that's why we've suggested the idea of user fees being based for supporting municipal structures.

We pay for a lot of the waste management if we use a private contracting firm now. We see some savings,

out of source separation, that can be attained. Our concern, though, is the downloading, and it may be just that municipalities will hit all property owners, commercial and residential, regardless of whether they use the system.

Mr Wiseman: I'm a little surprised to hear that there is only one person who collects organic waste and disposes of it. I know of a couple of people who do that. One picks up the organic waste and takes it to a farm and it's used to feed the pigs.

Mr Oliver: My comment was one facility that does composting for commercial. Our association has not endorsed food to animal feed because of health concerns and because of trade barriers that the Americans have threatened against that system. We've been working with the Ontario Federation of Agriculture and the ministry to come up with some guidelines to specifically address that. At this point, I believe there are a dozen and a half of the licensed cookers in Ontario that take the feed, but they're predominantly focused on the processing end, where a dairy will know exactly what is coming out its other end. With our industry, it's a wide, mixed bag.

The Chair: Mr Hayes has a question.

Mr Hayes: First of all, do many of your members receive waste management services from municipalities right now, and what percentage would?

Mr Oliver: I'm not sure of the exact percentage, but it's a declining percentage. No municipality in Ontario provides organic waste disposal for our industry. We're having to go to the private sector, and that represents more than 50% of our waste stream. To hit objectives of 50% diversion from landfill, we will have to go to the private sector. There's no two ways about it.

Mr Hayes: If we were to remove industrial solid waste from the definition of "waste," naturally there is a potential that the municipalities would have to cease the provision of this service to your members. Is this your intention?

Mr Oliver: No, it wouldn't exclude municipalities from providing services that they have now. We think that if you're using the municipal system, you should pay for it, and that's why we suggested user fees rather than property assessments or levies to fund it. If one restaurant uses a private contracting firm and funds a waste management system that way and its neighbour three doors down uses the municipal, we think the person using the municipal should support the municipal, proportionate to how much waste they generate.

Mr Hayes: This bill is to work with private industry and not to take away from it.

Mr Oliver: That was our concern, that the definition clarifies that it won't preclude one, that it takes both municipal and private sector.

The Chair: Thank you, Mr Oliver and Ms Wrigley.

We appreciate your contribution today. The members will study your brief. Thank you for the constructive comments you made.

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MUNICIPALITY OF METROPOLITAN TORONTO

The Chair: The next presentation will be made by the Municipality of Metropolitan Toronto, Joan King, councillor. Members have been distributed a copy of the brief. Good afternoon.

Ms Joan King: Good afternoon, Chairman Brown. My name is Joan King. I'm a Metro councillor.

The Chair: And your colleague?

Ms King: Jim Anderson is a solicitor with Metro and gives us very good advice on waste management issues.

The Chair: You've been allocated 20 minutes for your presentation.

Ms King: First of all, may I say thank you for inviting me.

I'm really going to talk about three things: Bill 7 and how it matches with the regulations, financing concerns, and the issue around private-public responsibilities and the dilemma we have there. I think you have my brief. I'll probably follow it closely—it's short—and then we'll be pleased to answer questions.

Chairman Brown and members of the committee, the municipality of Metropolitan Toronto welcomes the opportunity of making a deputation before this committee on a topic of such importance not only to Metropolitan Toronto but to all of Ontario.

Overall, Metropolitan Toronto appreciates the objectives that the province is trying to achieve with the proposed legislation and, in general, concurs with the content and the intent of the proposed legislation.

As early as 1990, Metropolitan Toronto had recognized that revisions to the sections of the Municipality of Metropolitan Toronto Act dealing with waste management would be required to clarify Metropolitan Toronto's waste management powers within its jurisdiction to ensure that Metro could implement an aggressive program for the diversion of waste from landfill in accordance with the provincial and metropolitan target of 50% by the year 2000.

May I interject that we're working on the assumption that the province is asking us to plan for all the waste generated within Metropolitan Toronto.

We are pleased to see that many of the powers contemplated by Metropolitan Toronto have been included in this legislation and that this is uniform legislation for all municipalities.

We support the enhanced definition of "solid waste management," the clarification of the powers which can be utilized for waste management and the provision for the delineation of upper-tier and local municipality

responsibilities to be decided at the regional level.

Metropolitan Toronto is pleased that Bill 7 provides for an explicit definition of the jurisdictional division between upper- and lower-tier responsibilities. However, we're concerned that the accompanying proposed 3Rs regulation contains provisions which would blur this division of authority and can only add friction between upper- and lower-tier municipalities relating to their respective obligations.

These provisions state, for example, that if a local municipality is within another municipality, then the upper municipality shall cooperate with the local municipality as necessary to enable the local municipality to fulfil any obligation it may have under the regulation. It also states that the upper-tier municipality must do whatever it has the capacity to do to enable the local municipality to fulfil its obligation.

Clearly, the obligation at the lower level is collection. It's hard to understand whether it's then saying, "Upper municipality, you've got to do everything you can to make sure the local municipality is able to do its job." We're just not sure what that means.

We are also concerned that some of the bill's provisions would result in a double layering of regulations or programs. For example, the bill allows bylaws to be passed requiring the separation of waste at the point of collection. Conceivably, both Metro under its waste reduction powers and the local municipality under its collection powers could pass bylaws pertaining to the same matter.

While we are in general agreement with the division of waste management powers between the upper and lower tiers of municipal governments and support the legislation, we have two main concerns with respect to issues not addressed in the legislation. The first one is the financial issue.

This legislation, coupled with the 3Rs regulations to be promulgated in August of this year, imposes financial burdens on both the upper and lower tiers of government in the absence of any discussion or indication of the manner in which such programs are to be financed and funded. The cost of separate collection of 3Rs materials, which will remain a lower-tier municipal responsibility, is already high and will continue to escalate as additional new materials are added to existing collection programs in order to meet the diversion targets.

We understand that a provincial discussion paper on the financing options for solid waste management has been prepared but has not yet been released for comment. We urge the province to commence its consultation with respect to 3Rs financing so that the implications of this legislation and the proposed 3Rs regulations can be fully assessed.

Our second concern is that the legislation does not

provide for any measure of control over private sector collection, transfer or export of waste. The real concern is export. As you are aware, the current level of waste export from Metropolitan Toronto is estimated to be approximately one million tonnes per year. At current tipping rates, this represents the withdrawal of \$90 million from the Metropolitan Toronto economy.

In addition, all or most of the waste being exported is for disposal. Requiring this waste to be managed locally would also increase diversion rates and diversion from disposal.

Although the bill contains provisions granting Metro a power of approval over the establishment of new private sector facilities where Metro has assumed the waste management powers, we have concerns with respect to what the establishment of terms and conditions of approval will in fact accomplish with respect to overall waste management planning.

In the absence of clear provincial legislation addressing the question of export, Metro remains unable to plan for the management of ICI waste within its borders with any certainty, but we are assuming again—I have to reinforce that; we're assuming—that we're being told by the province that we are to plan for all the waste generated in the region. So that's our dilemma.

A mechanism for coordination of public and private sector planning or a clearer definition of municipal and private sector responsibilities is required in order to achieve the 50% diversion target.

May I just sum up by saying that I really think governments do have a role, and I am constantly reminded we're not just looking after the residential component of our municipalities; the business component is equally important. Everybody's expecting the government, at some level, to ensure that waste is managed in an environmentally sound way and at a cost level that people can afford.

I'd be pleased to answer any questions.

The Chair: Thank you. Roughly three minutes per caucus. Mr Johnson.

Mr David Johnson: Joan, I guess you're saying that if you don't have flow control, then the responsibility for the ICI sector should be removed from the shoulders of the municipalities.

Ms King: Yes. There are two issues: One is the planning issue and the other is more the technical, how you're going to do it. If we're supposed to plan and if we're supposed to assure the provincial level that we're going to meet these targets for all the waste generated, then we do have to have a way of controlling. If not, separate them out.

Mr David Johnson: This is a little dilemma for us. The private sector is saying it doesn't want to be subject to flow control, because not only do you direct where it takes its waste but also how much it pays. They're not

sure that's going to be fair, and it also perhaps cuts the private sector out of waste management. In summary, is the best route for the burden of meeting the 50% target perhaps that it should be removed from the shoulders of the municipalities, maybe just have the municipalities focus on municipal waste?

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Ms King: You could do it that way. I think a good part of the issue has to be this export issue and some control over that, because I'm not sure that you have any way of ensuring the diversion if you're not keeping it within Ontario.

Mr David Johnson: I'll just ask one more. In terms of the jurisdiction, I think you're saying that collection should probably remain at the local level and disposal at the regional level. This bill actually muddles that up a bit. It says that Metro, for example, could vote and take over curbside collection. You would have no problem if it were clarified that the regional government must do disposal and that the local governments would essentially look after collection, unless there was an agreement between the local and the regional governments, in which case the regional government could assume that authority.

Ms King: As you know, within the Metropolitan Toronto area, we have been trying to work, and we have worked very well, towards developing an agreement. The bottom line is that our experience has been the local municipalities collecting, and if the region is the one that's planning and responsible for deciding what's going to go into the blue box and how you're going to process it, it's difficult if you haven't got a way of ensuring that the local municipality will then collect the things you need and in the way you need them.

Mr David Johnson: But you're not suggesting Metro should take over curbside collection?

Ms King: No, and I don't think that will be necessary. I think we're able to work that out.

The Chair: Thank you, Mr Johnson. I'm afraid we have to move on. Mr Lessard.

Mr Lessard: What sorts of clear provincial legislation addressing the question of export might you be suggesting to us?

Ms King: It was interesting how it all seemed to happen. There was legislation that came from the other side of the border which had very specific controls on what could cross into the states, but it was controlled by the states. It used to be that unless it had been previously incinerated, I believe—is that correct, Jim?—you couldn't take mixed waste across the border, as we see it going now. Those rules got changed there. It seems to me that some similar kind of rule would be the way you would do it.

Mr James Anderson: If I may, I recognize the fact that it's a very difficult issue, because there has been an

attempt to have flow control in various of the states, and some of those provisions have been attacked because of the constitutional issues with respect to the federal and state jurisdiction. I think there's a recognition on behalf of Metro that it is a very difficult issue and requires some type of coordination between the federal and the provincial level.

Mr Lessard: You are also talking about a mechanism for coordination between the public and private sector as far as planning. When we're dealing with a bill before the committee, we need some suggestions as to provisions we can look at to try and implement the suggestions you have. I know you don't have any specific amendments that you're proposing here today, but we're—

Ms King: I guess one of the things we should be asking is this: Is our assumption correct that the government is asking the regional levels to be responsible for the planning for all the waste generated within the region? Is our assumption correct?

Mr Lessard: I haven't got an answer, but perhaps Pat Hayes, the parliamentary assistant, has.

Mr Hayes: There is a certain need involved to reduce it by 50%, but at the same time—

Ms King: For all the waste, though?

Mr Hayes: All the waste, yes, but it's not just strictly being put on the backs of the municipalities, because we have certainly indicated that we want these partnerships out there, along with the private sector. Everyone would be involved with the two different ministries, the municipalities and the private sector.

Ms King: Yes, absolutely. Just for your interest, I remember when we all of a sudden realized that something dramatic had happened: The waste just was not coming to Metro's landfill facilities. We went to the private sector and asked the question: "What's happened? Where's it gone?" Nobody could give us any specific details. It just didn't seem to be there. We asked that many times. We got this sense that there's nobody who really understands or has the plan or has the ability to say, "This is what's happening out there."

Mr Daigeler: Just a quick question, really related to what you just said. In your last sentence in your presentation, you say "a mechanism for coordination of public and private sector planning is required." Is there no such mechanism in place at the present time? Frankly, I find that somewhat hard to believe.

Ms King: We certainly have some informal committees. But at the municipal level, I think the private sector is right. At the moment, we, along with the area municipalities, are collecting and processing and managing the residential component. But we are not collecting or involved with the ICI sector. If we are expected to plan for it and be able to tell some level of government with some assurance, "Yes, 20% has been reached," or

30% or 40%. I think we'd have to have some measure of control over that.

Now I don't think that municipal governments want to take over the private sector; that's never been their intent at all. We should be able to work it together, but the dilemma for us really is, we're either going to have to have some authority to do it or you're going to separate it out, one or the other.

Mr Grandmaître: One short question. Joan, you made sure in your presentation that you underlined, twice as a matter of fact, that you thought that you would have the responsibility of all waste. In your consultation with the ministry, this was never clarified, that you should be planning for all waste, that your responsibility would be for all waste?

Ms King: The waste management planning paper refers to all waste generated within the region.

Mr Grandmaître: Yes, but twice, though, in your presentation, there was a question mark there.

Ms King: That's right. But part of the difficulty, I believe—this is coming from Municipal Affairs.

Mr Grandmaître: Yes.

Ms King: It's dealing with the powers and we're just having to assume that they're talking the same language as the Ministry of Environment and Energy, which has clearly said, I believe, all waste in the area.

But I'm telling you, that's a question I'm asking, because if municipalities are responsible for all the waste generated and reaching these targets and showing at the end of it all—we can show what Metropolitan Toronto's doing. We can show we've hit 25%, but we can only talk about the residential waste, which is about 40%. We have absolutely no idea what is actually happening with the rest. It has disappeared, but we can't tell you what has happened.

Mr Grandmaître: I find it somewhat—that's it?

Mr David Johnson: You're doing a great job.

The Chair: Thank you again, Ms King, for appearing. We appreciate your presentation.

I think the committee's going to issue me a whistle so I can actually call it exactly on time.

The next presentation is to be made by CUPE, Peter Leiss. Is Mr Leiss here?

Mr Fletcher: They're not coming to the table.

Mr Grandmaître: They're at the negotiating table.
1700

LAIDLAW WASTE SYSTEMS LTD

The Chair: If there's no representative from CUPE, perhaps we'll proceed with Laidlaw Waste Systems Ltd, Frank Paznar. Good afternoon. If you want to wait just for a second while the clerk distributes the documentation, you've been here most of the day, sir, so I assume you know the procedure. We'll now officially greet you

and ask that you introduce yourself and your colleague for the purposes of Hansard.

Mr Frank Paznar: My name is Frank Paznar. I'm vice-president of Laidlaw Waste Systems. With me is Dianne Lemieux, who is a solicitor who works for Laidlaw.

I'd like to thank this committee for the opportunity to appear before it. We want you to know that Laidlaw supports the amendments that were proposed by the Ontario Waste Management Association and we agree with its submission presented here earlier this morning.

We also support staff's proposals which we were advised will be presented during Bill 7's clause-by-clause debate as noted by the Honourable Ed Philip. These amendments will help to alleviate some of the industry's concerns. However, two of the amendments are, in our view, less favourable to the private sector than the original version and some of our concerns relate to the wording that could be misinterpreted by a municipality.

The following comments apply equally to all of the acts referred to in Bill 7, excluding the Municipal Affairs Act. If these amendments are passed, we could be supportive of the bill.

Our main concern is the definition of "waste management system," and I think this has been recurring throughout the day. We're pleased to see that the ministry staff have tentatively accepted the industry's amended definition of "waste management system" as follows:

"'Waste management system' means facilities and services that are owned, operated or controlled by a local municipality or other public body for the management of waste, including the collection, removal, transfer, processing, storage, reduction, reuse, recycling and disposal of waste."

We strongly encourage the committee to formally adopt this wording for Bill 7 to ensure that the legislated municipal powers apply only to the public sector. This one change to the wording will eliminate some of our suggested amendments to other subsections of the bill, but we still have other recommendations for amendments that are independent of your decision to change the definition of "waste management system."

If the committee does not amend the definition, then additional sections will need to be amended so that they exclude the private sector from their application. These amendments are explained in part B of our submission for both the Municipal Act and the Regional Municipalities Act.

We are concerned that Bill 7, if not amended to reflect the above definition of "waste management system," will overlap with the provincial jurisdiction in the area of waste management. Under the proposed legislation, if passed, a local municipality will be able

to pass a bylaw relating to the establishment and operation of a waste management system, and a regional council may pass a bylaw to assume many or all of the waste management powers for all of its area municipalities.

Under the Environmental Protection Act, no person shall establish, use, operate or alter a waste management system or waste disposal site without receiving a certificate of approval from the director of approvals of the Ministry of Environment and Energy. We feel that a potential exists for conflict between municipal and provincial approvals. The overlap could be eliminated, however, if the EPA were given precedence over Bill 7.

If industry's recommended modification to the definition of "waste management system" is not accepted by the committee, we believe that subsection 208.6(1) can be made more precise by adding the words "of the municipality" at the end of this paragraph.

Fees and incentives based on waste: This paragraph provides that a bylaw in respect to the regulation of the use of any part of a waste management system may establish fees and incentives that vary based on the volume, weight or class of waste or on any other basis the council considers appropriate.

If the industry's proposed amendment to the definition of "waste management system" is not accepted by the committee, we request that subsection 208.6(2) be amended to exclude the private waste management facilities. This could be accomplished by changing the introduction as follows:

"(2) A bylaw passed under subsection (1) may, in respect of waste management systems that are owned, operated or controlled by a local municipality or other public body only...."

We would like to reinforce that overregulating the financial side of the private waste management industry will not promote the development of new facilities. If the market is overly constrained and regulated, so will be the development of new and innovative technologies, and as a province we will lose our competitiveness.

Entry and inspection and obstruction: Given our view that Bill 7 should only apply to public, ie, municipal, waste management initiatives, this section must also be modified to exclude from municipal inspection those lands that are owned by private waste management companies. We recommend that subsection 208.8(1) be amended and that a new subsection be added. I'll just go to the new section:

"(2) For the purposes of subsection (1), an inspector of the local municipality may not enter on or inspect any land that is being used or is contemplated to be used for the management of waste, including the collection, removal, transfer, processing, storage, reduction, reuse, recycling and disposal of waste, by a private person or corporation."

We question the ability of a local municipality in general to carry out an inspection and to charge a person with obstruction. This should remain a provincial responsibility.

Exclusive jurisdiction: The proposed amendment to subsection 209(10), to be introduced during the clause-by-clause debate, is less favourable to the private sector than the original version. The original version prohibits a person from providing "such services or facilities," ie, services or facilities for any part of the public waste management system, without the consent of the council of the county.

The proposed amendment would prohibit a person from providing "public or private services or facilities of the type authorized by the powers assumed by the country." This could prevent a private company from undertaking any initiatives, such as operating a landfill, a material recovery facility and other 3Rs initiatives, if the county decided to undertake the same initiative itself.

To avoid a public sector monopoly and to allow the survival of the private sector there must be a level playing field. Monopolies only serve to impede efficient and cost-effective service and to inhibit new ideas and technologies.

If the committee prefers the proposed amendment to subsection 209(10), we suggest changing the word "may" after the word "consent" to "shall" and inserting the word "reasonable" before the word "terms" towards the end of the subsection. Our comments on clause 151(1)(c) of the Regional Municipalities Act apply equally to this subsection.

Exemption: The proposed amendment, put forward for clause-by-clause review by ministry staff, is an improvement over the original version. However, the proposed subsection refers to the "collection of waste" only. To more accurately reflect the variety of services offered by the private sector and to encourage future investments, we suggest that clause 209(10.1)(a) be amended as follows:

"(a) for the collection, handling, transport, storage, processing and disposal of waste from residential properties and residential properties containing more than five dwelling units;"

Definition of "waste": We believe that the definition of "waste" in proposed section 149 should be clarified and modified so that it specifically excludes hazardous waste from the purview of the legislation. In this regard, we propose the following amended legislation:

"'waste' means ashes, garbage, refuse, domestic waste, industrial solid waste or municipal refuse and such other materials as may be designated by bylaw passed by the regional council, but does not include hazardous waste or subject waste as those terms are defined in the Environmental Protection Act or any

regulation thereunder.”

Similarly, we note that the proposed definition of “waste management power” in proposed section 149 of the Regional Municipalities Act means any power conferred by statute on a municipality related to the establishment etc of a waste management system as defined in section 208.1 of the Municipal Act. That definition refers to “the management of waste,” and the proposed definition of “waste” in the Municipal Act is very similar to the one in the proposed section 149 of the Regional Municipalities Act. We therefore recommend the same change to the definition of “waste” in the Municipal Act.

Subsection 151 declares that a regional corporation may provide terms upon which consent may be granted to a private company regarding waste management services or facilities. A significant issue is to determine the conditions of consent. Our concerns, however, would be satisfied if staff’s recommended amendment to the definition of “waste management system” is accepted by committee.

If the definition is not amended, we note that other than the payment of compensation, the proposed legislation does not mention what other terms of consent may be granted. To decrease costs and the use of OMB appeal mechanisms, we recommend that minimum terms of consent be incorporated into the proposed legislation.

One specific condition that should be incorporated is that, subject to an agreement to the contrary between the regional corporation and a private company, any consent must be for the entire life of the facilities involved or for the entire duration of the services provided. To do otherwise would leave a private company in a situation where it might have to bear the imposition of more onerous conditions in order to continue its operations.

1710

In the event that the definition of “waste management system” is not amended, we recommend that clause 151(1)(c) of the Regional Municipalities Act be amended as follows:

“(c) The regional corporation may give its consent to a person or to a municipality, other than a participating area municipality, to provide such services or facilities, which consent shall, subject to an agreement to the contrary, be given upon the following terms:

“(i) the terms of consent are to be for the entire life of the facilities involved, or for the entire duration of the provision of the services by the person or municipality;

“(ii) the payment of any compensation will be based on the reasonable cost to the regional corporation of having such services or facilities provided by a person or municipality, other than a participating area municipality;

“(iii) the environmental standards and guidelines to be

adhered to will be those that have been approved by the applicable departments of the Ministry of Environment and Energy;

“(iv) to the extent possible, the standards to be applied in respect of any and all testing, sampling, monitoring, remediation, and any other work will be those applied by the relevant regulating ministries; and

“(v) such other terms as may be agreed upon.”

Technical aspects of any waste management system should be governed by the terms of any certificate of approval or other regulatory instrument. The MOEE, and not municipal authorities, has the expertise to deal with such matters. In our view, such conditions should be included in any agreement reached between a private firm and the regional council in question.

Mr Chairman, the other report that was distributed as part of our presentation was in response to one of the deputants this morning who was saying that quite often the public sector can do it cheaper than the private sector. That is an independent study done by the professor of law and economics at the University of Toronto that clearly indicates that the private sector does it 52% to 75% cheaper, and I would encourage members of this committee to go through that report at their leisure.

The Chair: Thank you. We have some time for questions. I believe it’s over here, isn’t it? I’ve lost track.

Interjection.

The Chair: Okay. Mr Tilson and Mr Johnson.

Mr Tilson: Thank you for your presentation. Someone’s thought it out well and I will look forward to spending some more time reviewing it, as well as this package here, which hopefully will enlighten us, and I thank you for that as well.

The issue of creating a monopoly: I concur with you. I think that’s what this legislation is doing. It’s creating a public monopoly, in effect. Obviously, this government is determined to reduce, and it can be applauded for that. Obviously, if it doesn’t put some restrictions on private enterprise to reduce, then I guess the next question is, how do they do that? I think you were present when the presentation was made by the restaurant group.

Mr Paznar: Yes.

Mr Tilson: I was interested in double taxation and comments like that, which in effect is what it is. It doesn’t really affect you, but it’s the same sort of principle. It almost discourages—it probably does. It will discourage private enterprise from getting involved in this, if this pursues, along with Mrs King commenting that perhaps they should take over the whole operation.

Notwithstanding the fact that you spend some time on

that in your presentation, I'd like you to zero in on your fear of that public monopoly.

Mr Paznar: I think the question was asked, and perhaps this is the best way to respond: What has happened to the waste? When the fees went from \$75 to \$152 overnight and we had to go and tell 40,000 customers that we are now going to double the rate to them, a lot of them thought we were ripping them off and we lost a lot of our customers. Yes, maybe some of the other people picked them up, but it took us a long time to win that confidence back.

All of a sudden, we found other alternatives, the industry found alternatives. We're not going to be held hostage at \$152, because it was unreasonable. A lot of the businesses already pay the business tax. They pay the municipal taxes that include pickup. It's only when they have excessive amounts that they come to the private. If you ask where the waste went, when a group is not competitive, people don't shop there. This applies to any store. We can see them closing up. Those that haven't been competitive, that don't meet today's marketplace, are not going to be there tomorrow. If the municipalities have flow control and they have virtually all of the landfill sites—Halton was going to open at \$205 a tonne.

Mr Tilson: Tipping fees are the prime example.

Mr Paznar: That's the prime example.

Mr Tilson: They lowered the tipping fees because they weren't getting the business. It's as simple as that.

Mr Paznar: That's right, and perhaps they didn't lower it enough. Waste is a commodity today. It has to be treated as a commodity and you have to adjust the price accordingly. We are meeting all the environmental standards. In fact, our company vision, mission value, states that we shall exceed government standards. We are attempting to do that everywhere.

Mr Tilson: That's all.

The Chair: We have three on the list for two minutes total: Mr Wiseman, Mr Lessard and Mr Hayes.

Mr Wiseman: One of the major problems with the siting of any landfill site in a community is the bad record that Metropolitan Toronto has left in its wake of poorly managed landfill sites, particularly the Brock West landfill site.

What I would like to ask, though, is, given that you are in the midst of a landfill site search in the eastern end of Durham, would you support an amendment to this bill that would require the creation of community liaison monitoring teams on the day-to-day operations and making sure that certificates of approval are being fulfilled?

Mr Paznar: I think it's a question of, is it going to be legislated or is it something that we do? We normally do that. Wherever we operate a landfill, we have a public liaison group. We don't have a problem with

that. I think the problem comes, again, if you try to legislate it. Then all of a sudden here's another body that has authority over you. It's not a case of a working relationship any more; it's somebody dictating, saying, "We're not going to give you our approval if you don't plant that tree right here."

Mr Wiseman: That would depend on the regulations. What I'm talking about, just to give you an example, is that the local community has not had access to the Brock West landfill site to monitor covering material, odours, collection of blowing waste and so on. They've tried to have Metro charged a number of times. They even called in the police. It hasn't been charged. What communities are looking for is some degree of assurance that the certificates of approval are being followed.

Mr Paznar: As long as we're part of the committee, we have a working relationship. We don't have that problem. We'll allow people on site, but not at unreasonable times. If somebody comes there who has an expertise and wants to see something, we'll be glad to show them. We're doing tours of our landfill right now. We have an open house in Newcastle. We've welcomed every neighbour, we've welcomed everybody out, and said, "Come on and take a look at it." We don't have a problem with it.

Interjection.

Mr Lessard: Did somebody say "field trip"?

Mr Paznar: Field trip. Bring lunch.

Mr Lessard: One of your amendments is to propose a new definition of waste that removes hazardous household waste. You don't have much of an explanation. I wondered what it was.

Mr Paznar: That's already covered under hazardous waste. There's a separate definition and we feel that's where it belongs.

1720

Mr Daigeler: Thank you for your presentation and for the very detailed way you have described possible amendments, and possible alternatives if these possible amendments aren't accepted. I think this is always useful for the committee and for those who draft the law.

You, as well as several of the other presenters, have mentioned that expansion of the private waste management industry is somewhat on hold, and you were mentioning that if there's too much regulation, it will limit, obviously, the incentive for the private management industry to promote the development of new facilities. Could you describe a little bit what's presently on hold and what that is in terms of impact on jobs, and where?

Mr Paznar: Very simply, where the private sector operates: We have the Mississauga contract and we have the Halton contract. In Mississauga, we pick up 12

items in the blue box. I believe Metro picks up four; I'm not sure. We pick up 13 items in Halton. We have a facility currently where we are disassembling photocopiers and computers. In the areas where the municipalities operate it, they go to a landfill. Three of these units make up a tonne. We provide work for people disassembling this.

The resources go back to the industries. In fact, we're taking out lenses. We were looking at them. We didn't know who might make use of them, but we're sending them to schools now for their science classes. They're perfectly good lenses. Why should they be landfill? But there's a lot more.

We have new technology we're looking at that's available, but we're not investing in it because we don't know where the government is going with its regulation. This is a primary problem for our company. We have the facility, that was mentioned earlier, in Newcastle. We are proposing a total resource centre—we have 600 acres of land—where we would encourage industries to come in, like the aluminum people, the steel people, rubber, all of the various elements that make up the waste stream, and we would remove and they would palletize or in some form remanufacture. Only the residue would then go to the landfill.

This is what we're proposing. We have no problem meeting the 50% reduction rates. We've already stated that. We are doing it. We are doing audits out there on a regular basis with our customers. We're showing them how to reuse, how to reduce. This is happening today.

Mr Daigeler: Don't get me wrong, I don't really want to sort of be too sceptical towards the commitment, but I think in the interests of putting it on the record, how real is that commitment? Are there any examples in other provinces or perhaps the US where in fact this is being done?

I remember the argument from the pharmaceutical companies that they were going to invest in research if the federal government guaranteed certain things. I just want to make sure the public can be reasonably assured

that this commitment you're making today will be honoured.

Mr Paznar: I believe our commitment is on record. We have publicly stated it. I'm just reiterating what has previously been said by the chairman of the board of our company. We have expanded internationally. We are buying new technologies. We are working with municipalities. We are forming partnerships. This is existing, and our company has grown and is continuing to grow in this field. So yes, we will make substantial investments in this area as long as we have the ability.

Just recently in the city of Toronto, they broke off the apartment block bulk pickup and put it in the private sector. It is going to save the city over \$9.5 million for the same service. That's just one small example. All it is, is that it is perhaps a better vehicle, a little more efficient pickup. We have a new vehicle we want to launch and manufacture, but we're not going to launch and manufacture it if we are under the control of a municipality that decides, "No, that's not the kind of vehicle we want; we want one of those and we want it painted orange," because that's what's happening.

The Chair: Thank you, Mr Paznar. We appreciate your presentation.

Mr Mammoliti: What's wrong with orange? It goes with black.

The Chair: I would like to bring to the attention of the committee that we have a note that I believe all members have. It's been distributed by the clerk. It's from Bob Breeze, the director of the waste reduction office of the Ministry of Environment and Energy with regard to the Gananoque experience, just so that you see that it's there.

Has CUPE arrived?

I am told by the clerk that the Canadian Polystyrene Recycling Association has cancelled its presentation. This completes the work of the committee for today. We'll see everybody in about two weeks, provided the House remains sitting. We are adjourned.

The committee adjourned at 1727.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

***Chair / Président:** Brown, Michael A. (Algoma-Manitoulin L)

***Vice-Chair / Vice-Président:** Daigeler, Hans (Nepean L)

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 Dadamo, George (Windsor-Sandwich ND)

***Fletcher, Derek (Guelph ND)**

***Grandmaître, Bernard (Ottawa East/-Est L)**

***Johnson, David (Don Mills PC)**

***Mammoliti, George (Yorkview ND)**

 Morrow, Mark (Wentworth East/-Est ND)

***Sorbara, Gregory S. (York Centre L)**

 Wessinger, Paul (Simcoe Centre ND)

***White, Drummond (Durham Centre ND)**

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

 Hayes, Pat (Essex-Kent ND) for Mr Morrow

 Lessard, Wayne (Windsor-Walkerville ND) for Mr Dadamo

 Tilson, David (Dufferin-Peel PC) for Mr Arnott

 Wiseman, Jim (Durham West/-Ouest ND) for Mr Wessinger

Also taking part / Autres participants et participantes:

 Harrington, Margaret H. (Niagara Falls ND)

 Offer, Steven (Mississauga North/-Nord L)

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Richmond, Jerry, research officer, Legislative Research Service

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of Ontario**

Third Session, 35th Parliament

**Assemblée législative
de l'Ontario**

Troisième session, 35^e législature

**Official Report
of Debates
(Hansard)**

Thursday 8 July 1993

**Standing committee on
general government**

**Municipal Statute Law
Amendment Act, 1993**

Chair: Michael A. Brown
Clerk: Franco Carrozza



**Journal
des débats
(Hansard)**

Jeudi 8 juillet 1993

**Comité permanent des
affaires gouvernementales**

**Loi de 1993 modifiant des lois
relatives aux municipalités**

Président : Michael A. Brown
Greffier : Franco Carrozza



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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 8 July 1993

The committee met at 1002 in committee room 2.

MUNICIPAL STATUTE LAW
AMENDMENT ACT, 1993

LOI DE 1993 MODIFIANT DES LOIS
RELATIVES AUX MUNICIPALITÉS

Consideration of Bill 7, An Act to amend certain Acts related to Municipalities concerning Waste Management / Loi modifiant certaines lois relatives aux municipalités en ce qui concerne la gestion des déchets.

REGIONAL MUNICIPALITY OF
OTTAWA-CARLETON

The Vice-Chair (Mr Hans Daigeler): Okay, if we could get started to continue hearings on Bill 7, An Act to amend certain Acts related to Municipalities concerning Waste Management, I'd like to welcome our first delegation, from the regional municipality of Ottawa-Carleton. Seeing that I'm from there myself, it's nice to see you for a change down here in Toronto rather than back home. You are, I'm sure, familiar with the procedure. You have half an hour.

Clerk of the Committee (Mr Franco Carrozza): Twenty minutes.

The Vice-Chair: Oh, even less. Sorry, 20 minutes. I would suggest—it's up to you—if you can leave your comments to 10 minutes and then questions from each side of the House, if you wish to. First introduce yourself, please, for the record and then proceed with your presentation.

Mr Rich Denham: My name's Rich Denham. I'm the commissioner of environmental services for the region of Ottawa-Carleton, and with me is Ms Judy Wilson, who is the director of solid waste in the environmental services department.

The presentation that we will be making to you today is based on a report that we have taken through our policy committee at council. That policy was endorsed on June 21 of this year. We, I believe, have made a written submission. I don't know whether you have that, but if it isn't here, it is on its way, so that submission can be part of your record.

The Vice-Chair: If I can just interrupt you for a second, for those who are looking for it, it's number 18 of the exhibits. Please proceed.

Mr Denham: Our policy committee endorses this bill. We believe that it is a good piece of legislation. We believe that your staff have done an excellent bit of work and we are in support of that. It deals with the municipal responsibility for the 3Rs and we believe it deals with the entanglement dilemma faced by lower-tier municipalities having responsibility for collection

and upper-tier municipalities having responsibility for disposal. As I say, we believe this bill addresses that issue quite satisfactorily.

The need for this kind of legislation has been recognized in Ottawa-Carleton for some time and in fact manifested itself in our response to the Kirby report, which was tabled back in November 1992. Mr Kirby made comments in that report; however, no recommendations regarding solid waste. At that time, regional council felt that it was important enough to include in our response to the Kirby report a recommendation regarding the issue of solid waste. Their recommendation reads as follows:

"That the region of Ottawa-Carleton be given responsibility for garbage collection and waste diversion in Ottawa-Carleton with fair compensation," and some other words associated with that recommendation, but I believe that will be here in Queen's Park in the form of our response to the Kirby report, so merely to say that we recognize that need, our council recognizes that need and Bill 7 certainly appears to fill that need.

Ms Wilson has some specific comments about a couple of issues in the bill, so I'm going to ask Ms Wilson to proceed.

Ms Judy Wilson: I would like specifically to address those things for which we are very pleased with the work that has been done by your staff and which have specifically been endorsed by a standing community of our municipal council.

It is time and quite timely for the role of area municipalities in the diversion of solid waste to have been clarified, and that has been admirably done by the legislation. It is also time to have some clarity on the ability of municipalities to deal with user fees. The enhanced inspection powers and right to enter in a landfill site selection exercise were absolutely critical, and we're very pleased to see those as well.

We're particularly happy with the provision for regional municipalities to assume waste management powers, as is our council, as demonstrated by its position on the Kirby report.

I think it's very important in the original draft of the legislation that the regional municipality's ability to plan for solid waste was affirmed. As well, and this will become a very critical point when you see where I'm going, we also are quite pleased that there has been an affirmation of the continued role of the private sector in the field of solid waste.

To those specific issues, we're very happy and we do commend the drafting of the legislation. We do, how-

ever, have some issues we'd like to speak specifically to and which we believe Ottawa-Carleton is in a better position than most municipalities in the province, and perhaps in the country, to speak on. What I want to talk a little bit about today is the very difficult issue of the interaction of the public sector and the private sector in the field of solid waste.

Ottawa-Carleton is in a unique position. We're one of the few areas where a private sector landfill and a public sector landfill with approximately the same lifespan operate together in an environment of some legislative uncertainty. It is sometimes a very difficult relationship; it is sometimes a very productive relationship. But in the end, the basic premise we come to you with is that the relationship between the private sector and the public sector can function, but it can function in certain circumstances. It's those circumstances we would like to see set forth in the legislation.

The basic premise we work from is that the infrastructure development in the field of solid waste is the regulatory responsibility of the provincial government and the municipality, so that basically the overall provision of the infrastructure is left with the municipality to deal with. That does not necessarily mean that the municipality needs to provide the capital investment, nor does it mean that the municipality needs to actually own and operate the facilities. What the municipality needs to be able to do is establish the framework for the infrastructure.

This raises our most serious concern with the proposals by the Ontario Waste Management Association, and that is, its suggestion that what have become known as permit-by-rule facilities be exempted from municipal rule review. That is the focus of the remainder of my remarks. That is a very serious proposal which will cause municipalities across this province some very serious problems.

Let me take you through the reasoning as to why exempting permit-by-rule facilities will cause municipal governments a problem. Just to remind you, the permit-by-rule facilities are those facilities that the new environmental regulations, say, operate the way the Criminal Code operates. As long as you're in compliance you're all right, if you're out of compliance then there are enforcement procedures that begin to come into place.

There is a misconception that these facilities are generally small and insignificant facilities. The one factual point I want you to keep in mind is that it is entirely possible for a municipal government to develop its waste diversion program on solely permit-by-rule facilities. That's very important when you see where I am going with the rest of my comments.

1010

Given that the purpose of the act was to give municipalities increased powers to develop and operate comprehensive waste management programs, particularly the

3Rs, the suggested exemption of permit-by-rule facilities from municipal review will undermine virtually completely the powers over 3Rs that municipalities have.

Let me walk you through the way this happens.

Mr David Johnson (Don Mills): Are you on one of these pages?

Ms Judy Wilson: No, I'm not.

The Vice-Chair: If you want to leave some time for questions, you will have to walk through pretty fast.

Ms Judy Wilson: We have about two minutes left.

The Vice-Chair: Okay.

Ms Judy Wilson: Regional municipalities are given the mandatory responsibility for solid waste disposal. That's step number one. Number two, in order to fulfil that solid waste mandatory responsibility, they have to plan for solid waste and plan for 3Rs. That's according to the Environmental Assessment Act and other provisions. Number three, you have to produce a plan for that. Number four, if permit-by-rule facilities do not have to conform to that plan, so they are exempted from municipal review, there is little or no reason for municipal governments to engage in solid waste planning, and that's the main dilemma that we're faced with if permit-by-rule facilities are exempt.

In closing, there are some specific sections of the act on which we have some drafting suggestions. Those are in the written proposals. They relate to financing, some provisions with respect to vesting, the provision for the exclusion of area municipalities from assumption bylaws or the lack of a provision that says you can consent to some municipalities being excluded, and we also have a comment that regional bylaws for source separation should supersede local area bylaws. Those are arguments that are covered quite comprehensively in the report.

I do want to leave you, though, with the conclusion that we are generally supportive but that if the suggestion that permit-by-rule be exempted from municipal approval is carried out, I think you will have thrown the baby out with the bathwater and that does cause us some considerable concern. Thank you.

The Vice-Chair: Thank you very much for your presentation. We'll start with the Liberal caucus. Two minutes each.

Mr Bernard Grandmaître (Ottawa East): Two minutes? I'll cut back on my preamble, I guess. Waste management has been an issue of great interest in Ottawa-Carleton. What is Ottawa-Carleton or the individual municipalities doing right now with organic waste?

Ms Judy Wilson: There's two things. If you include leaf and yard waste, there is a comprehensive leaf and yard waste program which has separated significant amounts of leaf and yard waste from the waste stream.

There are also coming on stream some pilot wet-dry separation programs. Those are not in the works yet because we have a comprehensive 3Rs plan that's just about to draw to a close.

Mr Grandmaître: So what you're telling me is you're not doing anything.

Ms Judy Wilson: We're doing a huge leaf and yard waste program. We've done the most comprehensive waste composition study probably in the country. We then look at the sections of the waste stream on which we should concentrate, and clearly leaf and yard waste is one of the cheapest and biggest to get out of the waste stream, so we're focusing on that and having a great deal of success. That is being done. It is in implementation right now.

Mr Grandmaître: Does this include restaurant wastes?

Ms Judy Wilson: No. That will be the next stage.

Mr Grandmaître: So what are you doing at the present time with restaurant wastes?

Ms Judy Wilson: For the restaurant wastes specifically, what we're doing is developing a plan for handling them onsite instead of centralized collection and examining some of those opportunities. We're very much in the 3Rs planning stage, although there are a series of what we call short-term initiatives that have been carried out as a kind of pilot program.

The Vice-Chair: Okay, one quick one.

Mr David Johnson: Getting back to the main issue, which seems to be the permit-by-rule facilities, is Laidlaw the operator of the major private facility?

Ms Judy Wilson: Yes.

Mr David Johnson: Is their concern that the municipality is able to charge fees on their facility, in terms of their tipping fee; that if you're not excluded, you're able to charge?

Ms Judy Wilson: The permit-by-rule provisions wouldn't relate to the compensation that area landfill operators would remit to the regional government. That's another part of the legislation and that's a program that's in place.

Mr David Johnson: Let me ask you to play devil's advocate here. What is their main concern, just to refresh my memory?

Ms Judy Wilson: I'm not sure specifically what they would put forth as their main concern. I think their argument is that permit-by-rule facilities were put on a fast-track legislative process and that nothing should interfere with that. I think basically that's their argument.

Mr David Johnson: Does this have anything to do with flow control?

Ms Judy Wilson: No. In fact, Ottawa-Carleton has not been a proponent of flow control.

Mr David Johnson: So you are not a proponent of flow control?

Ms Judy Wilson: No, we're not.

Mr David Johnson: I suspect it boils down to money then, doesn't it, somehow?

Ms Judy Wilson: No, I don't think it does. I think it's very much the issue of wanting to ensure that all facilities are consistent with the overall municipal plan. That's all.

Mr David Johnson: You said that if the permit-by-rule facility, whatever it was, was imposed, the private facilities would not participate. I think that's what you said in your remarks.

Ms Judy Wilson: No. They wouldn't be required to conform to a municipal plan for the community. They'd be on a different track and there'd be no way of ensuring a kind of community infrastructure development.

Mr David Johnson: Can you be more specific as to what that would mean?

Ms Judy Wilson: For example, if the community plan said, "There's no reason to transport garbage throughout our community a lot. We can have a decentralized rather than a centralized system; for example, having small composting units at restaurants," if the municipal plan says that, and permit-by-rule are exempted from complying with that plan, there's nothing to prevent any private sector operator from developing a centralized facility contrary to the municipal plan.

Mr David Tilson (Dufferin-Peel): What section is this?

Ms Judy Wilson: It's been a recent proposal from the Ontario Waste Management Association.

Mr Tilson: You're not dealing with the bill; you're dealing with a proposed amendment from the waste management association.

Mr Denham: That's correct. We are quite happy with the bill.

Ms Judy Wilson: As it is.

Mr Tilson: I guess the private enterprise people are concerned that what goes on in the private sector is different than what goes on in the municipal sector. In fact, they have come out and told us at this committee that they can do a better job than you can. Could you comment on that?

Ms Judy Wilson: I think that in some fields they've demonstrated that they can do a cheaper job than we can, and I don't argue with that. Our comment is not that the public sector should be doing all of this. We have private sector collectors in Ottawa-Carleton, and I think we're quite happy with that; private sector landfill operators, and that's going fine, with bumps along the way. What we're saying is that it actually enhances the private sector's ability and enhances the entire system

if there's a plan for how the community develops and then the private sector develops within that plan.

Mr Tilson: They say this bill will put them out of business.

The Vice-Chair: We'll have to move on now. I'm sorry, but we do have a number of other presenters. Mr Wiseman from the government caucus.

Mr Jim Wiseman (Durham West): A very quick question. I'd like you to perhaps discuss for a moment, and my partner here has a question as well, why it is that you can't use site plan approval and bylaws and other mechanisms from the Municipal Act to determine and control where buildings and plants such as central composters are going to be built.

Ms Judy Wilson: You could in part. You couldn't completely, because site plan approval etc wouldn't allow you, for example, to deal with residuals, wouldn't allow you to deal with the issue I put forward, which is the centralized versus decentralized facility. You couldn't, using your site plan authority, justify turning down a site plan simply because it didn't conform with another plan they're not obliged to conform with. And to some extent you might be being cute to try to do it that way; we'd rather do it directly and up front than indirectly through the site plan approval process.

Mr Pat Hayes (Essex-Kent): If the exemption that's proposed by the Ontario Waste Management Association for the permit by rule were not included, would you still support the bill? Even knowing that we are flexible on this issue, we haven't made a decision on this as of yet.

Mr Denham: If the exemption were not included? Let's deal with the positive: If the bill goes forward as it is, we are happy.

The Vice-Chair: Have you finished, Pat?

Mr Hayes: Yes.

The Vice-Chair: Very good; we're right on time.

Thank you very much for your presentation. I guess it's not too often that we hear such supportive comments in favour of a particular piece of legislation, but it was good to hear. Thank you very much again for coming.

1020

ASSOCIATION OF MUNICIPAL RECYCLING COORDINATORS

The Vice-Chair: The next presenter, I understand, is here from the Association of Municipal Recycling Coordinators. Will you please come forward and introduce yourself. As you know, you've got 20 minutes, and we'd like to leave some time for questions.

Ms Linda Varangu: My name is Linda Varangu, and I'm the executive director of the Association of Municipal Recycling Coordinators. Our short form is AMRC, and I'll describe what that is a little later.

My presentation this morning will deal strictly with Ontario's municipal 3R programs. The issue of waste management systems planning, including flow control, has been previously addressed by AMO in its deputation to this committee, and municipal staff are working closely with them to resolve this issue.

I have divided my presentation into three separate sections: First I will tell you what the AMRC is and why we have a particular interest in this issue.

The Vice-Chair: Can I just interrupt for one quick second? Apparently your presentation is being Xeroxed. We will be receiving something very shortly. Please proceed.

Ms Varangu: Secondly, I will give you a brief outline of some of the tools municipalities use to deliver waste reduction, reuse and recycling programs. Third, I will present some examples of specific 3R activities that municipalities are currently undertaking. All of these examples will serve to illustrate why this legislation is needed.

Firstly, who is the AMRC? The association is a not-for-profit organization incorporated back in 1991. Our members are municipal staff concerned with the implementation of waste reduction, reuse and recycling programs. Our association was formed to help municipal staff implement effective and efficient 3R programs.

We have been in existence since 1987, and have been providing our members with an opportunity to learn from each other while assisting them in the development of new and innovative ways to deliver 3R programs.

Our municipal membership totals over 100, which represents over 85% of Ontario's population. Our organization has a number of very active committees from which we produce documents and reports, and these give guidance to other municipal staff in the development of their 3R programs.

What we are really trying to encourage in Ontario when we're talking about all this 3R program stuff is resource conservation. The wise use of our resources does not come naturally for all of us and therefore some type of socially acceptable plan must be developed. What we as municipal staff have been able to offer residents and in many cases the ICI or industrial, commercial and institutional sectors across Ontario, is some kind of support to undertake 3R programs with the goal of conserving our resources.

In January 1993, the AMRC, with support from the Ministry of Environment and Energy and AMO, had developed a comprehensive survey on municipal 3R activities. This survey was sent to all municipalities in Ontario and we are currently in the process of analysing this data. The responses we have received to date show that although there are numerous standard 3R programs, such as the blue box program we're all familiar with, there is a large variation in the delivery of other 3R

programs across Ontario. This point is raised so that we all realize that there is not just one standard solution across Ontario, but that we have to develop programs which make sense for local communities.

Bill 7 would give municipalities increased powers to develop and operate 3R programs. The majority of people in Ontario already have access to various 3R programs offered by their local municipality. Clarification of what waste management responsibility lies where can provide the added incentive to institute new and progressive waste diversion initiatives. For these reasons, the parts of the bill that enable municipalities to get on with the 3R programs and planning are supported by our organization.

Along with the legislative ability to develop the 3Rs programs, we cannot ignore that a particularly critical issue at this time is the financing of municipal 3Rs programs. I want to urge the province to work quickly towards helping develop a sustainable financing system that incorporates product stewardship for municipal 3Rs programs. Without a revised funding program, we cannot expect that new and innovative 3Rs programs will be developed. Even existing programs may be jeopardized. Significant effort by the provincial government, the private sector and municipal governments must be expended to resolve the financing issues as soon as possible. Otherwise, the 3Rs activities that this bill seeks to clarify may not be carried out.

I'd now like to give you some examples of the 3Rs programs and initiatives that are currently being offered by municipalities, and I'll start by describing some of the tools municipalities have been using.

When we're looking at what waste reduction really is, which is trying to encourage people to behave differently to reduce their waste, we have realized that to accomplish this we have basically three incentives, and these are: first of all, education and promotion; secondly, financial incentives; and thirdly, regulations. It's a combination of these incentives that social psychologists tell us would have the largest impact on changing people's behaviour and therefore helping us reduce or divert our waste from disposal. Municipalities should have the authority to use all these tools.

The overall goal here is the wise use of our resources, which is another way of describing the conserver society. Although we've come a long way to alerting citizens of this province to this issue, we have a long way to go before we change the behaviour that creates the wastefulness.

Now I'll give you a couple of examples under each of these three primary tools I mentioned. First, under education and promotion initiatives, I've divided those into three primary categories. These education and promotional materials that we're going to be talking about, municipalities have already begun to develop and are distributing in many cases. Written information

includes news stories, newsletters, pamphlets, calendars, posters, public displays, that kind of information. Audio-visual initiatives include videos, slide shows, radio interviews, television interviews etc and direct participation interviews, which include seminars, workshops, networking forums, hotlines, demonstration sites and presentations.

The AMRC, through its promotional and education committee, is working with numerous municipal members to develop cost-effective and innovative promotional material which then can be used by any municipality, if they so chose, in the delivery of their programs. The authority to produce and distribute promotional and educational information for the purpose of encouraging the 3Rs is currently not explicit. Bill 7 would help define and clarify the roles and responsibilities of municipalities for this activity.

Secondly, I'd like to point out some of the financial incentives that are currently used by municipalities. Financial incentives have been really well responded to by the ICI sector. The ICI sector is generally more cognizant of the disposal costs it pays for because it pays for them directly, and the nature of its business is if it can reduce its waste in the course of doing its business, it will do so and therefore make a larger profit. This has been demonstrated to be effective when our landfill tipping fees have been rising over the last several years and many businesses have been starting to pay more attention to their disposal costs. They've also found that reduction, reuse and recycling helps them do that.

In the residential sector, however, only a limited number of Ontario municipalities have undertaken programs to charge the residents directly for the waste they dispose of, and these programs are known as user pay programs. User pay programs have been developed in some communities to put the onus of reducing waste directly on to the residents, who would pay directly for all or part of the waste they dispose of, and it's often by the number of garbage containers they produce. Normally, this cost is hidden from the resident. It's actually included in the overall municipal tax bill, and each property basically pays the same cost for disposal regardless of the amount of waste it produces. This concept is said to make the waste generator more aware of the waste produced, just like in the ICI sector, and the residents then develop ways in which they can reduce and reuse the waste instead of disposing of it.

1030

Ways in which the residents can reduce waste from disposal include purchasing items with less packaging, using their backyard composters for food and yard waste, using their recycling programs, renting rather than purchasing infrequently used items etc. Residents will also need to exercise their right to choose the appropriate products, and this will require that the

manufacturers make products available to the consumers that have less waste associated with their products.

I'd like to draw your attention, if you now have the report, to the back part, where we've shown a number of graphs that illustrate what communities are currently involved in user-pay programs. The two charts that I have shown include full user-pay programs. These are municipalities that are engaged in user-pay programs which charge for the full cost of disposal, and that means that for every bag or container they put out, there is a charge associated with it. There are actually seven communities. I've neglected adding one on there; it just started.

The second chart shows partial user-pay programs and there are 12 municipalities noted here. Again, there is usually a bag limit set out, and then for the rest of the bags, the resident actually has to pay for the disposal of them. There are also a number of municipalities, smaller municipalities again, that charge directly for the bags that are disposed of at the landfill site. So there are a number of communities that are already undertaking this initiative, but according to the Municipal Act, the way it is now, it's not apparently legal for them to do that.

The operators of some of these programs have shown that the user-pay programs, when they're combined with education and promotional information, actually can really impact the waste disposed of in places like Gananoque by up to 45%.

We at the AMRC are also involved in a user-pay committee, and we have a number of municipalities, and these are larger municipalities, that are involved in our committee which are exploring the implementation of user pay for their own communities. The demand for this information is increasing and, as a result, we will be producing a user-pay kit for municipalities to follow.

Thirdly, municipal regulations and bylaws are used to encourage 3Rs. Currently, there are a number of municipalities which have bylaws in place which actually require residents to use their blue box program. There is one municipality that actually has a ban on organics in its community. That means they can't throw any organics out. They have to use their backyard composter. So there are a number of these bylaws or regulations that the municipalities have begun to enforce as well, and this is the third kind of tool that the municipality has to encourage waste reduction, reuse and recycling programs.

I'll give you specific examples of waste reduction, reuse and recycling now. Bill 7 makes specific reference to the authority for municipalities to undertake these programs as part of the waste management system, but they've been doing it for years.

Reduction programs include education and promotional programs. Things that the municipalities might be promoting now would be things like photocopying on

both sides, use of public transportation rather than your own vehicle, encourage proper maintenance of appliances so you have less spoilage of food and that type of thing, and use of alternative low-maintenance landscaping plants so that you don't have to throw the yard waste out in the first place.

Another program which also falls into this category includes household hazardous waste alternative programs. In this program, what we're trying to do is encourage municipalities to talk to the residents and have them use less hazardous materials as household cleaning products, for example, so that we as municipalities don't end up paying for costly disposal at our household hazardous waste facilities. This again is a reduction alternative. In some cases, municipalities have actually provided demonstration kits to their local communities so that they can actually try these non-hazardous types of cleaners out on trial.

Municipalities are also involved in reuse programs. In promoting these activities, they could be involved in simply, again, education and promotion, or they could be involved in things like community garage sales—one particular one was known as the mother of all garage sales and it was very well participated in with the local community—curbside scavenging for reusable materials, local waste exchange programs, encouraging litterless lunches in school programs, supporting the development of local reuse and repair centres, and encouraging the use of reusable containers for food and beverages. These activities, as I mentioned, are already ongoing.

The recycling programs that are ongoing in Ontario, most of you are pretty well familiar with, and most of the communities in Ontario that are over 5,000 in population already have some kind of curbside recycling program in place. Many rural areas have depot programs. There are also about 46 material recovery facilities already in place and these are known as MRFs. In Ontario, about 50% are currently privately operated and 50% are publicly owned and 17% of those are privately operated public facilities.

Many municipalities are already involved in the marketing of collected recyclables and some municipal staff are also involved in research and development of recycled materials. An example there would be the use of rubber tires in asphalt. Municipal staff are also involved in the design of recycling equipment. For example, we have provided help to manufacturers of backyard composters to help them improve the design of their composters. One municipality in particular has developed a contract with a local plastics manufacturer, for example, to produce improved recycling containers. They will actually obtain royalties from the sale of these.

In the marketing of products made from the processing of collected recyclables, that's a novel approach, but some municipalities are considering this well. For

example, some municipalities are actually marketing glass, which they have purchased a piece of equipment for, which would grind it up and make silica pieces which they could then sell for road paint or whatever. So it's a value-added product which will enable a municipality to get a better value for the product.

In conclusion, I'd just like to point out that there are a number of activities that municipalities are already involved in, in the 3Rs. This bill would help define and clarify the roles and responsibilities of these activities in municipalities and provide the basis for planning and developing new and innovative 3Rs programs so that our society will use its resources more wisely.

The Vice-Chair: Thank you very much for your presentation and for the benefit of the members. We actually can be a little bit more flexible, because the next presenter has cancelled. It doesn't mean that we should take all the time for questions, but we have a little bit more time available.

Mrs Joan M. Fawcett (Northumberland): I'm interested in the user-pay fees and so on, because I would assume that most people pay a certain amount for garbage in their municipal taxes. Now they will pay the extra user fee. What, in your experience, has been the reaction of residents to this?

Ms Varangu: Actually, what has happened was that in most of these communities that have the full user-pay program, what they've done is shown the community first of all what they're paying actually in their taxes for garbage disposal. Once that is known, people then have a figure which they have of their actual waste disposal costs. That then is taken out and municipalities then issue tags or labels which the resident puts on the container or the bag, and that is worth a dollar or whatever it is in that community. Then it's actually a pay-by-waste program.

Mrs Fawcett: In other words, they're not paying both.

Ms Varangu: No.

Mrs Fawcett: So it's either one or the other.

Ms Varangu: Right.

Mrs Fawcett: Has it been well received by the residents? Do they like that idea?

Ms Varangu: I would suggest that in the communities where it started out, where the promotion and education haven't been well done, you would have a lot of negative responses to people who might think that is happening. Overall, in the communities that have been fully researched and gone back and done surveys, the community is, by and large, in support of this activity.

Mrs Fawcett: The ban of organic waste by one municipality, how are they enforcing that?

Ms Varangu: That just actually started in May. We haven't heard too much more yet on the success of that

program. They started out with leaf and yard waste and then added on the organics after that. Again, they have a landfill site problem and they had to enact something, and they figured that the organics, being a major portion, were a good target. They have provided their residents with backyard composters, so that is part of the tools they have to encourage people to have an alternative. That's how they're going about that.

Mrs Fawcett: Okay.

Ms Varangu: It's a small community.

Mr Grandmaître: On partial user fees and full user fees, I want to go through this again. All municipalities at the present time are not double-taxing people—I mean municipalities that are involved in partial or full user fees. They're not being double-taxed.

Ms Varangu: That's a good question, because I'm not sure on the details on every one of those programs. The issue in the partial user-pay programs is that there still is a service provided. That is for the disposal of three or four bags, whatever the limit is. The value of that service still has to be obtained from somewhere. What those programs are trying to do is encourage people to actually go to a set limit and to understand that they can reduce their waste, and if they go over that, they would pay more.

Mr Grandmaître: How about the full user-fee program?

Ms Varangu: The full user fee program generally runs on the premise that the tax burden that's usually placed on the resident to pay for disposal is taken out, and there is now a direct fee that's attached to disposing of your waste. So the tax part that was in there is taken out. Municipalities try and make residents aware of what they currently pay for it before they go to this user fee system.

Mr Grandmaître: Which is—

The Vice-Chair: Thank you very much, Mr Grandmaître.

Mr Grandmaître: Just a little one.

Ms Varangu: Depending on where you are and depending on what it is that you're dealing with.

1040

The Vice-Chair: Before we move on to Mr Johnson, I should give you some good news. This room is supposedly air-conditioned, but apparently it's not functioning too well. After this presentation we can move next door, where apparently the system is working. So once we're finished with this round, I can ask everybody to move next door so we can cool off a little bit. Mr Johnson.

Mr David Johnson: Just an observation that the municipalities that are on full user-pay are very small municipalities, and it will be interesting. If the user-pay system is applied to a larger urban centre, I think

there'll be a whole lot of resistance, frankly. So there's a huge education program to be accomplished.

Secondly, you could expand the list of the partial user-pays. For example, in East York—and I think this is fairly common—the municipality that I represented, you could set out eight bags and you had to pay for the 9th, 10th etc beyond that. It really depends where you draw the line. I think a lot of municipalities have probably done this in some sense but just not down to the low level that you've outlined in your report.

I guess my question is that in terms of the whole waste management area, there is a huge amount of expense. You've mentioned MRFs. I think you've mentioned composting plants. These cost tens of millions of dollars in a large urban centre. Plus the fact that the net cost of the blue box is probably somewhere around \$180 or \$190 a tonne. The fees that are down here, \$1 a bag, \$2 a bag, won't put a dent in the cost. I wonder if you have calculated what you would have to charge for a bag of garbage to fully pay through the user-pay system for all the facilities—the MRFs, the composting plants—and to cover the cost of the full system.

Ms Varangu: That actually goes back to the definition of full-cost accounting, and there's a lot of disagreement on what that actually includes. People are striving to define full-cost accounting. Many people have attempted that and there have always been questions about how they arrived at that kind of solution or that kind of analysis.

These programs, as you mentioned, are smaller communities, so it's perhaps easier to do that in a smaller community than you would in a larger community, which includes all this other infrastructure. The committee that we have ongoing in user-pay within the AMRC includes a number of larger municipalities, and these municipalities are in the throes of actually analysing what it would mean for their community. So we don't have those data yet but we're actually working towards that.

Mr David Johnson: Let me just ask you one supplementary before Mr Tilson takes over.

The Vice-Chair: Mr Johnson, I think Mr Tilson wanted to ask a question too, a quick one.

Mr David Johnson: All right. Mr Tilson takes over.

The Vice-Chair: Do you want to finish?

Mr David Johnson: Well, do you put your whole submission on a user-pay, or do you think the province of Ontario should be involved in this funding? Do you think the private sector should be involved in this funding? You really didn't talk about anything other than user-pay.

Ms Varangu: I mentioned in the first part of my presentation that the critical component here is financing this whole thing, and it should be—

Mr David Johnson: Yes, but you really focused on user-pay, so can you tell us, beyond user-pay, how much you think the province should be contributing, how much the private sector etc? What sort of proportions?

Ms Varangu: I would suggest that it needs to be a product-stewardship combination with provincial and municipal governments, and this has to be worked out fairly quickly because we're running out of dollars to do this, as you know. There are a number of proposals on the table which have product-stewardship models for financing, and these are the models that we need to be further exploring to finance this system. It can't be done by one or even two of the partners; it has to be done all together.

Mr Hayes: While we're on the topic of user fees, do you view the user fees as another form of taxation, or do you look at this as another necessary tool to assist municipalities to be successful in their reduction of waste?

Ms Varangu: I actually view it as a tool, because if you go back to what I said originally, going to social psychologists and having them instruct us or help us identify what changes people's behaviour, what you pay out changes your behaviour on what you purchase. You would buy something that is cheaper if it was the same value of product. So having the sensitivity to finances, somebody would make another decision on what they might want to throw out. I view that as a tool. When applied properly and when done correctly, it doesn't have to be another form of taxation; it can be used properly as a tool.

Mr Wiseman: I know that Peterborough had a referendum in the last municipal election and turned down user fees. Now they seem to be sorry that they turned down user fees, because it's costing them more on their tax bills.

Ms Varangu: I have heard that they'd like to look at user fees again. Perhaps what wasn't done there was a really good promotion and education program. It was one of the first larger communities to really look at this and have its citizens involved in that. I think a real big education and promotion program needs to be incorporated with that. It's not just Peterborough but many municipalities are looking at this.

Mr Wiseman: How much is being spent yearly on recycling in the municipalities, the total bill? Do you have any idea?

Ms Varangu: The total bill? I don't have the answer to that, but I can help explore that for you if you like.

Mr Wiseman: The reason I ask that is it goes back to your cost accounting. My community is well aware of what it costs to have a landfill site in it. There isn't enough money in the province of Ontario to pay for the dislocation in terms of the odours, the birds, the

leachate collection, disposal of the leachate and so on, that and health costs. They've had to put in air-conditioners and air purifiers in a lot of the houses. People have allergic reactions to the odours. I guess my question then is, when people do this cost accounting, are they really taking into consideration all of those costs? Because opportunity cost in economics is an important measurement.

Ms Varangu: You were describing your landfill, were you, when you were describing this?

Mr Wiseman: To allow for them, yes.

Ms Varangu: Okay. What I suggested was that in full-cost accounting, where people have attempted that, there have always been questions on how they arrived at their definition of full-cost accounting. I would agree with you. The soft components, as you were describing, whether it's an environmental benefit, a social benefit, are really hard to put a value on. What it means is that we're driving more towards these softer components which we have difficulty putting a dollar value on.

I think if it's a societal direction, we have to respond to the people who live in our communities and say: "This is worth more than it was before. It's going to cost us more to dispose of something because we're going to get a social benefit out of this." We don't have real values for that right now.

The Vice-Chair: Thank you very much for your presentation. We really appreciate the time you've taken to prepare your brief and to appear before the committee.

If I could ask the committee members now to take their name plates, to help the clerk, and everything else and move just next door here, we'll proceed.

The committee recessed from 1047 to 1051 and resumed meeting in committee room 1.

The Vice-Chair: The next presenter is not quite ready yet, since we're a little bit before time, but Mr Brown apparently is here and he's scheduled only for 11:40. If we can start with him, it'll give us a bit more time at the end or perhaps to recess earlier.

Mr Hayes: We should notify the other members of this. I think they're thinking we're behind schedule here.

The Vice-Chair: You mean your members?

Mr Hayes: Yes.

Mrs Fawcett: Go get them.

Mr Hayes: Thanks, boss.

The Vice-Chair: We will wait till—I think they're here.

KARL BROWN

The Vice-Chair: We're ready, then. If you could introduce yourself, Mr Brown, you will have 20 minutes.

Mr Karl Brown: Thank you very much. I'll be

brief. My name is Karl Brown. I'm the vice-president of a company called Waste Alternatives Inc, based here in Toronto. We are waste reduction consultants.

Mr Chairman and committee members, I appreciate the opportunity to present my views on Bill 7. I know you've heard from several people in the industry regarding the implications of Bill 7. I am, however, interested in outlining how this bill may affect waste generators and waste diversion and recycling programs in our province.

I speak representing my company and our clients, private businesses in the province that are committed to diverting waste. We work on a daily basis with waste generators, haulage companies, recycling centres and a host of end markets, trying to find environmentally sound, economically sustainable diversion opportunities. We firmly believe that we are not suffering a garbage crisis but instead a resource crisis in which we must find viable options to utilize these commodities we call waste.

We fully support the intention of Bill 7 as has been communicated by the office of the Ministry of Municipal Affairs and the Ministry of Environment and Energy. What is required in this province is a clear definition of waste management powers and responsibilities so that adequate resources can be applied to reaching the provincial target of 50% diversion by the year 2000.

There are, however, certain concerns regarding Bill 7 as currently written: first, the inexplicit definitions of certain powers; and second, the overlapping effects with Bill 143 and the new 3Rs regulations.

Flow control: Municipalities will have the power to "provide all or any part of the waste management system in all or any defined area of the local municipality."

Although indicated verbally by the ministry that flow control was not contained in this document, wide and general power seems to be provided to municipalities. Interpretation of this power, left to individual municipalities, will undoubtedly create a flow control type of system.

The definitions of "waste" and "waste management services" provide no distinction between public or private waste generators or waste management systems. Section 208.6 indicates that municipalities can dictate how waste and recyclable materials are collected, handled and processed. No mention, however, has been made of private sector involvement.

Two levels of municipal governments will have overlapping powers to enact bylaws governing the movement of waste.

Waste diversion programs, and particularly recycling programs, are driven by market access. Unrestricted access to viable recycling markets allows efficient and

effective recycling of waste. Bill 7 could allow a municipality to dictate how a material is collected and where it would be processed. As a result, access to potential recycling markets could be denied to waste generators. Municipalities could cream the valuable materials relied on by private recycling operators to be viable.

I've worked in a jurisdiction in the United States that had flow control. The result was that more time and effort was spent haggling with local politicians than was on diverting waste.

Bill 143: The intent of Bill 7 appears divergent from the intent of the recently announced 3Rs regulations. The 3Rs regulation is good legislation, but Bill 7 will undermine some of the effects of the new regulations. Municipalities may under bylaw:

- Require separation of any class of waste at the point of collection—already stipulated in the 3Rs regulations covering most readily recyclable materials.

- Establish fees for any part of a waste management system—further tax waste generators for waste management services beyond existing property taxes.

- Exempt persons or municipalities from rules, fees and incentives—potentially creating unfair requirements between competing businesses.

- Require recycling operators to receive municipal or county approval to operate a waste management facility—contrary to the recent permit-by-rule provision hoping to streamline the approval process for new facilities.

The powers stipulated in subsections 208.6(1) and (2) are important to municipal governments to undertake the collection of public waste. These powers exercised over private business, on top of already existing regulations, will stall all private investment in Ontario and make developing comprehensive waste management programs impossible. An amendment to this section to specify a municipality's public or existing responsibility will keep waste diversion programs progressing following provincial regulations.

Bill 7 could create a patchwork of municipal legislation that will make access to recycling markets even more difficult. Flow control will limit investment on new technologies and processes desperately needed in this province.

Our industry is currently confused by widely varying tip fees, resulting in the loss of valuable resources and revenue in our province. Bill 7 fails to provide clear legislative direction to ensure proper management of resources to reach the goal of 50% diversion.

We have read proposed amendments by the OWMA and the ORA and others and strongly urge you to consider them.

The Vice-Chair: Thank you very much for your presentation.

Mr Grandmaître: Let's go back to user fees. You call it a further tax waste generator and the presenter just before you told us that it wasn't a double tax. Can you explain your—

Mr Karl Brown: The way we interpret the bill is that a municipality could put a further tax on the requirements for specific separation or handling of waste. A lot of these taxes in municipalities are already governed under the municipal tax base, and we feel that there could be the effect of a double tax in there on waste generators trying to solve their own problems.

In my opinion, the ultimate user fee is a landfill tip fee, where you pay for the waste that you are throwing away, and that if you have a system of encouraging people who—well, a lesser tip fee for people who recycle their waste or a penalizing tip fee for people who don't is a good way to raise revenue.

Mr Grandmaître: So you're telling me, in principle, you don't agree with partial or full user fees.

Mr Karl Brown: I'm not an expert on user fees. Some user fees I think could be very effective. I think a landfill tip fee, user fee, something to encourage waste generators to want to do these things, is necessary.

Mr Grandmaître: I've noticed most municipalities that are using partial or full user fees at the present time are mostly rural municipalities, and I'm just wondering about what our urban municipalities would think of such a program. In the Ottawa-Carleton area, Kanata is thinking of introducing a bylaw using user fees, and I'm just wondering—I don't have all the facts. I thought you had more facts than I have at the present time on user fees. You're not an expert, I'm not an expert—

The Vice-Chair: That makes two of you.

Mr Karl Brown: Sir, I work almost primarily with private sector waste generators and not residential waste or blue box programs or things of that nature.

Mr Grandmaître: Again I'm asking for your thoughts. Don't you think a municipality that has the power right now through municipal taxes to charge for such services—why would they choose user fees instead of increasing municipal taxes?

Mr Karl Brown: I think municipalities are afraid to do it. A user-pay system is a more equitable system.

Mr Grandmaître: Isn't that a sneaky way of raising taxes through fees?

Mr Karl Brown: If you're a business that wants to use these certain services and the business next door doesn't, should you pay an equitable tax for that service?

Mr Grandmaître: Well—

The Vice-Chair: We'll probably continue that discussion at some other time. Mr Tilson.

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Mr Tilson: One of the groups that came to us

previously commented on the topic of the funding of all of this business. I think it was the restaurant people who commented on the issue of double taxation. If private enterprise owned a facility, because of waste management policies the assessment on the overall tax base of a municipality, including the land that's owned by this private enterprise, would go up, and at the same time the municipality would be charging it for the whole process of waste management. Do you have any comments on that?

Mr Karl Brown: I think you lost me a little bit. What I'm talking about is the ability of people in private business to find waste diversion opportunities that are economical within their regions. I don't understand how you're referring to a tax base that is—

Mr Tilson: Well, there would be a special rate of property assessment to all rateable property, which would be in order to defray the expense of providing waste management facilities and services. At the same time, the bill would enable municipalities to impose a waste management levy on food service operators, who already pay for a waste management system through contracts with private waste management firms. That's the double taxation they're referring to and the concern they have.

Mr Karl Brown: That's right. I agree with that concern.

Mr Tilson: With respect to the flow control system, I guess you're agreeing with many of the private enterprise people who are coming through. You don't agree with the fact that there should be one waste management system, which would include private waste management arrangements, which would include existing contracts. You don't agree with that?

Mr Karl Brown: I am scared by the notion of flow control. As I mentioned, I worked in the city of Minneapolis-St Paul for several weeks implementing a recycling program there a couple of years ago for the Special Olympics program. We set up programs to separate certain kinds of waste and we identified recycling markets outside the county that were willing to participate in this program. Specifically, one of them was for organic materials, a composting facility. We could not take those organics out of that county, because these people had an incinerator that they needed to generate revenue to pay for the incineration of waste.

The Vice-Chair: Your final question.

Mr Tilson: In defence of the municipalities, they're saying that we have to have a consistent plan. How are we going to operate a consistent plan if we're going to have one plan for private enterprise and one plan for the municipalities? How is the system going to work?

Mr Karl Brown: They're looking for a guaranteed flow of material or a guaranteed supply of material or guaranteed funding. In business we have to compete,

and if they want to compete with that and can run a cost-effective, efficient composting facility or incinerator, it makes economic sense and they'll attract the material.

Mr Tilson: Can two plans run side by side?

Mr Karl Brown: Sure they can.

The Vice-Chair: Thank you very much. Mr Wiseman.

Mr Wiseman: The thing I'm interested in is this whole question of flow control and the way you're presenting it, because I'm leaning in that direction myself. The reason is that very item you're talking about and how to maximize the efficiencies of scale; if one municipality can't do it, then maybe a collection of them can.

We've banned incineration, so we don't need to worry about that kind of nonsense happening here. What we would be looking for is economies of scale in terms of reusing and recycling the product. To do that, you need the right price, and the right price for the reuse of material in any commodity is lower than what it would cost to use a natural resource to do that.

Mr Karl Brown: That's because of those lovely subsidies that our federal government provides to certain people.

Mr Wiseman: Okay, but it still has to be lower than whatever price the natural material is coming into the market, no matter how that price is determined.

Mr Karl Brown: Lower or comparable, certainly.

Mr Wiseman: The cheapest price is nothing, to give it away; you can develop huge markets by giving product away. This is where the user fees come in, that the cost of paying is up front, that the municipality pays to eliminate its waste, and whatever organization or structure takes that waste then has total responsibility for its elimination in terms of giving it away, marketing it, making new products or whatever. Is that the kind of system you'd like to see developed?

Mr Karl Brown: I would like to see a system that I think our province is going towards with the new legislation, Bill 143 and the 3Rs regulations, of promoting waste reduction, making it easier for markets to develop. I think waste reduction is emerging on its own because of the recession we're in, for example. Recycling is developing, but needs help for markets. The movement of this material is market-driven. You have to have access to these markets, access to viable economic markets.

There are two great incentives: One is the revenue you can get from those materials, and the other is the cost avoidance of your user fee or your tip fee or whatever it is. I think that is a big stimulator for private business in this province, to say, "If I can divert it, even for nothing, if someone is willing to take it and reprocess it into something, at least I'm saving \$90 or

\$120 per tonne at the landfill." That's enough economic incentive to make people want to do stuff. When those fees come down, we run into big trouble.

Mr Wiseman: The reason I support user fees is because I've got two composters and what I put out is about yea big for a family of five per week. My next-door neighbour, who doesn't have anything, has 8 or 10 bags and pays the same taxation I do. I think there should be some reward for avoidance, and the avoidance in this case would be to recycle, reduce and reuse and use the blue box program effectively and so on and expand it. That's one of the things I would like to see.

This permit-by-rule is a very important question, because we had people from Ottawa-Carleton present this morning who are diametrically opposed to where you stand on this one. As legislators, we need to come down on one side or the other, or we need to figure out a third alternative.

Mr Karl Brown: Say I wanted to open a wood-recycling facility, go out and buy a wood chipper. Under the permit-by-rule clause, I could do this. I could rent some land. I meet certain criteria of the EPA, no problem. Now, I would have to go to the county or the municipal government and say, "I want to do this," and they say: "No, that's part of our waste management plan. We're doing that, and you can't open your business." I don't think that's right.

The Vice-Chair: A quick question, Mr Hayes; a quick one, please.

Mr Hayes: That sounded a little extreme. However, do you support the proposed amendments from the Ontario Waste Management Association that indicate that the flow control will not be provided in the legislation?

Mr Karl Brown: I support the amendments that the OWMA has presented, yes.

The Vice-Chair: Thank you very much. Thank you for your presentation and taking the time to prepare it and to come here.

1110

WMI WASTE MANAGEMENT OF CANADA INC

The Vice-Chair: I understand that the representatives of WMI Waste Management of Canada Inc are here. I think they have distributed a package for all the members. You are familiar, I think, with the system, if you could introduce yourself, please.

Ms Nancy Porteous-Koehle: I will. Just to introduce the package, it's a package you can take pieces out of, keep what you want and return the rest so I can reuse it.

Mr Grandmaitre: No fees?

Ms Porteous-Koehle: No, no fee.

My name is Nancy Porteous-Koehle; I'm the director of public affairs. With me today is Bob Webb, business

development manager for WMI Waste Management of Canada, and he's also the president of our Recycle Canada-Etobicoke facility.

We appear before you this morning to fervently request that this committee and members of all parties support, at the very minimum, recommendations put before you by the Ontario Waste Management Association.

But we believe that additional amendments are also necessary. Therefore, we would also like to request the following: (1) that the definition of "waste" not include industrial solid waste; (2) that the definition of "waste management system" refer only to public facilities owned by a municipality—that's similar to OWMA's; (3) a deletion of the section giving municipalities exclusive jurisdiction over future facilities; (4) a deletion of the clause allowing municipalities to surcharge a private sector facility.

If the OWMA- and WMI-recommended amendments are passed, we could all go back to doing business as usual, and according to statements in the House by the Honourable Bud Wildman, business as usual meant that the province of Ontario achieved the 25% 1992 diversion goal without flow control. Business as usual meant that Waste Management of Canada Inc and many other companies have invested millions of dollars, created thousands of jobs, mine included, here in Ontario to address the need created by the many environmental regulations passed by the different levels of governments. These investments could be undermined by Bill 7 unless the amendments requested by OWMA, and hopefully WMI's, are adopted.

The Association of Municipalities of Ontario appeared before you to state that they should not be held accountable for the 25% and 50% diversion figures unless they have complete flow control. We would like to state that municipalities are not nor should they be held accountable for the entire waste-recyclable stream within their geographical boundaries.

We would respectfully suggest that governments should do what they do best: govern. Governments should pass legislation, put into law the regulations and then enforce—strongly enforce. Only through strong enforcement will we achieve the 50% diversion. Only through strong enforcement will we rid our neighbourhoods of illegal transfer stations, illegal dumping, the illegal filling up of warehouses. Sadly, degradation to our environment because of these illegal activities is happening far too frequently. Illegal operations are giving all of us in the environmental service industry a bad name. They must be stopped.

WMI Waste Management of Canada Inc is a subsidiary of WMX Technologies Inc. We are a worldwide environmental service company whose stock is traded on the major stock exchanges, including Toronto's. In Ontario, we have 17 divisions delivering environmental

services in many of the communities you represent. We employ over 700 Ontario residents.

Waste Management of Canada Inc has invested considerably in Ontario. The development of Recycle Canada-Etobicoke alone is a \$26-million investment. We knew that in order to reach the 50% goal of the year 2000, the industrial-commercial waste generator had to do its part. This facility was built to recycle the materials banned at landfill by the municipalities and to recycle for our industrial-commercial customers the materials mandated in the government's proposed 3R regulations. We built this facility three years ago trusting in government's sincere commitment to these bans and 3R regulations. A lot of our industrial-commercial customers are already complying with these 3R regulations or gearing up for them, at considerable cost.

But what is frightening is that the municipalities are weakening their stand on recycling and the enforcement of bans at the landfill. As well, the provincial government is putting forth new 3R regulations but with no enforcement strategy. If this trend is not stopped, it will only be a matter of time before the 3R chain is just a fragile piece of tissue paper.

If all levels of government were to enact and then diligently enforce the rules and regulations that give stability and consistency and create a level playing field for all environmental service deliverers, it would send out a very positive message for future investment by the private sector.

We have seen what happens when municipalities have sole control and ultimate powers: the highest landfill tipping fees in North America right here in Ontario. Members of the committee, competition must be encouraged. Regulations should ensure a level playing field for all competitors, and strong enforcement of those regulations is a must to ensure that the residents of Ontario derive not only the greatest financial benefit but, most importantly, a healthy environmental future in all respects.

In closing, I ask for three things: amendments as requested by OWMA and WMI, enforcement of rules and regulations by all levels of government, and a level playing field to encourage future investment.

Thank you for the opportunity to appear.

The Vice-Chair: Thank you for a very concise and to-the-point presentation.

Mr Grandmaître: You don't give municipalities too much credit for the job they're trying to do.

Ms Porteous-Koehle: I don't?

Mr Grandmaître: Well, no. You're saying they shouldn't be involved, that the provincial government should take over. I can't recall everything you just said.

Ms Porteous-Koehle: No. I'm saying strong enforcement, sir, of the rules and regulations, whether they're regulations of the municipal government or

whether they're regulations of the provincial government. What we're seeing at the region of Peel and at Metropolitan Toronto is a relaxation on the zero tolerance of banned materials going into the landfill.

Mr Grandmaître: But you're saying what is frightening is that municipalities are weakening their stand on recycling and the enforcement of bans at the landfill.

Ms Porteous-Koehle: Yes.

Mr Grandmaître: You'd like to see the provincial government putting forth new 3R regulations, with no enforcement strategy.

Ms Porteous-Koehle: There is no enforcement strategy on it at the moment, sir, and what is being asked of the industrial-commercial-institutional sector is to source separate, mandatory source separation. A lot of the companies are now doing that without enforcement, but our concern is that if they don't enforce the bans at the landfill and ICI customers are not forced to recycle, maybe some of them won't.

Mr Grandmaître: I do agree with you that more competition should be encouraged, because I think it's only fair that you should be able to compete and make a profit if there is a profit to be made. You're in the business to make a profit. At the present time I think some municipalities in the province of Ontario are using tipping fees as an extra way of making a dollar.

Mr Wiseman: No kidding.

Mr Grandmaître: We'll talk about Durham after. What are your thoughts on these municipalities using tipping fees to make more profits?

Mr Robert Webb: In terms of industrial-commercial customers, it's just another form of taxation. You're increasing their costs of operation. When companies like General Motors, Ford Motor Co and Chrysler compare the cost per car of producing a Tempo or Topaz in Oakville with the cost of producing a van or a similar vehicle in St Louis, where tipping fees may be only exactly what the municipal costs are or else they're dumping through a private facility, the cost—and it is substantial—runs around in this area about \$4 to \$5 a car versus something in the area of \$1 a car, which may not seem like a lot of money to you, but in terms of people like Ford Motor Co or Chrysler, that is a substantial amount of money.

Mr Grandmaître: I'm just setting you up for Mr Johnson.

Mr Wiseman: It's at least \$1,000 a car in Ohio.

Mr David Johnson: I know there's a great political football there, but I'm going to get back to the issues here.

Mr Tilson: Ignore Durham.

Mr David Johnson: It's easy to do, or the member anyway.

The permit-by-rule facilities that have been requested for exemption from OWMA—you support that as well then, do you?

Ms Porteous-Koehle: Yes, we do.

Mr David Johnson: Do you have any further comments on that? You were present, I think, when—

Ms Porteous-Koehle: I was present there. If the permit-by-rule facilities are not exempted in this bill, then we're just going to put a layer of red tape in there, which I thought the government was trying to get away from. Believe it or not, even recycling facilities are a contentious issue in communities. If you put that extra level there—I believe under the Planning Act and under the zoning bylaws, there is a lot of control for municipalities to exercise over any facility that they are questioning. I don't think you have to put it again in Bill 7. I think they should be exempted.

Mr David Johnson: Were you here when the region of Ottawa made its presentation?

Ms Porteous-Koehle: No, I wasn't here.

Mr David Johnson: The presentation they made indicated that they weren't certain that through the planning process that would hold up. Have there been any precedents?

Ms Porteous-Koehle: As far as I know—because we sited the first one in Etobicoke, and we received great cooperation from the city of Etobicoke to get our Recycle Canada facility up and running. But at the time that we were establishing it three years ago, there wasn't any municipality in the province of Ontario whose bylaw allowed a recycling facility.

They're presently looking at their bylaws to change them to get them in the proper zoned area, but I still don't know of anyone—I know Etobicoke's probably farther down the tube than anyone. As far as I know, Ottawa would still have control. But they know better than I; they're more intimate with the Ottawa-Carleton act.

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Mr David Johnson: The second point you mentioned is enforcement of rules and regulations. You're not suggesting any more rules and regulations for enforcement to be included in here. You're just suggesting the existing ones.

Ms Porteous-Koehle: No, I'm not. I'm saying the 3R regulations are coming down.

Mr David Johnson: I suspect what's happening today is that loads of material are coming in, and I'm trying to recall back a few months ago at Metro council, and probably every load that gets dumped has a piece of cardboard or something like that in. It gets thrown in by mistake or whatever, or somebody may think it's contaminated when it isn't. Who knows? How do you deal with that? Are you really saying zero tolerance, if there's even a little piece of corrugated cardboard?

Ms Porteous-Koehle: Bob's our recycling expert.

Mr David Johnson: How do you deal with that kind of situation?

Mr Webb: A very small amount, I think, should be tolerated, and I say very small.

The Vice-Chair: Would you speak up?

Mr Webb: Okay. I think what's happening at the landfills right now is landfill employees have seen their jobs disappear over the last little while with the reduction in waste going into the landfills. Now if it's starting to reappear, they realize that if they reduce the tolerance level, the waste will disappear again. They're thinking: "If I do that, is my job gone? Let's turn a blind eye to this waste going into the facility, especially recyclables, and keep the volume up." It's basically job protection for the people on the site. It's not that the bans aren't being enforced by the administration.

Ms Porteous-Koehle: When we've gone to the municipalities, Metro and Peel, because they're the two right at the moment who do have these bylaws threatening on the horizon, we've said we'd like to sit down with them as a committee, as an industry, with generators on the panel as well and come up with the zero tolerance, that this message has to get out there in order to let people know that we want recyclables.

We're trying to get this recycling industry at least productive and make a few dollars. But we've got to get the message out, zero tolerance, and then have some sort of appeal process if something comes in, and it's not always just one piece of cardboard you will find. We want to work with them on that.

Mr Tilson: Can I ask a question?

The Vice-Chair: If it's very quick. It's difficult for Mr Tilson, I understand that.

Mr Tilson: Very quickly, Ottawa-Carleton spent almost its entire brief this morning on the issue of permit-by-rule facilities. They are concerned as to whether the system would even work. I'd like to read one brief passage from their brief for your comment.

"The misunderstanding which seems to exist is that permit-by-rule facilities are minor or insignificant. Indeed, a community's entire waste diversion infrastructure could be developed with permit-by-rule facilities.

"For example, a solid waste plan may be developed which determines that small, locally operated, industrial-commercial-institutional composting facilities are better facilities for their community. This type of facility may be more desirable because of lower transportation costs. However, if there is no means of approval for the development of such facilities, it would be possible for one or many private sector operators to establish a large centralized composting facility, contrary to the plan for the overall region and inconsistent with what has been established in the plan as the community's goals in this field."

That seems to be the major crux between the municipalities and what groups such as yours are saying. Could you comment?

Ms Porteous-Koehle: I hear what they're saying.

Mr Webb: At the same time, though, if the municipality wants composting, then what it should do is put the legislation in place to create the atmosphere for people like ourselves and other people in the waste business to build them and let us do it. We'll do it cheaper and we'll do it better for them, but I wouldn't build a composting facility in this market right now because I have no guarantee that you'll have legislation in place to support it, that we'll have the material or that it won't be just allowed back into the landfill at a rate half of what my pro forma originally was based on to build that facility.

We're in that position right now with Recycle Canada. We've built a \$26-million facility that was pro forma when waste was at \$150 a tonne and there were bans in place at the landfill. There are no bans in place at the landfill for all intents and purposes right now, and Metro Toronto has dropped the disposal fee to \$75 a tonne so that pro forma is useless.

Mr Wiseman: I agree with you when you're commenting about Metropolitan Toronto. I've always maintained that anybody who thinks that Metro Toronto is interested in recycling had better take a look at the true motivators for Metro, and that's the financing and the dollars and the money that it makes from Keele Valley and Brock West.

The reason they dropped the dollars per tonne is to attract more waste into it. If you're doing that as your main criterion for making decisions, then you aren't interested in recycling, you're interested in making money out of landfill sites, and that brings me to this question about conflict of interest.

Is it not a conflict of interest for a municipality like Metropolitan Toronto, that is making huge dollars, hundreds of millions of dollars having a landfill, to own, operate and run a landfill site?

Ms Porteous-Koehle: I don't think we can comment on conflicts of interest, Mr Wiseman.

Mr Wiseman: You knew what the next question was then. Would it also not be a conflict of interest for anybody? You see, I get back to the presentation that Mr Brown made about the various levels of tipping fees, and that is, that's one of the areas where you can promote some recycling if it's gone through and all you have is true residue. Should there not be a really low tipping fee, an operational-cost-based tipping fee for residue as opposed to a tipping fee of, say, \$150 or \$180 a tonne for something that's mixed?

Ms Porteous-Koehle: One should be penalized if one tries to bring in a load that has banned materials in it, but all the municipalities have to do—I mean, they

really have flow control right there at their landfill tipping face—is not allow banned materials into their landfill. They can get the banned materials out of there if they want to.

Mr Wiseman: I have lots of questions but I'll turn it over to Mr Hayes.

Mr Hayes: On page 3 of your report, you have indicated that you support the amendments from the Ontario Waste Management Association and that you wanted them adopted, but you also ask for four more amendments.

Ms Porteous-Koehle: I'm looking for a fairy godmother.

Mr Hayes: Okay, but what I'm asking you is—you were part of the consultation and discussion with the Ontario Waste Management Association, the Ministry of Municipal Affairs and the Ministry of Environment and Energy—are you changing your mind on some of these things?

Ms Porteous-Koehle: No. I tried them on them too. I introduced them to them as well and they didn't like my amendments that I suggested at our committee meetings.

Mr Hayes: That's all three didn't like them?

Ms Porteous-Koehle: Yes.

Mr Hayes: Okay. I guess the other question that I have too, is really for Mr Webb. The question about municipalities charging dumping fees as a profit versus reduction, you mentioned about some of the corporations in the States, for example, that pay less to dump their waste.

Mr Webb: Right.

Mr Hayes: But at the same time, we do have other corporations—I think Toyota is one of them here in Canada—that maybe there was an incentive for a corporation like that to reduce waste within the facility and right at the source. I think—I may be corrected on this—at one time it wasted about 140 pounds—I think I'm correct—per vehicle and now it's reduced to seven pounds, I believe it is. Maybe some of the tipping fees give some incentive to some of the corporations rather than just the municipalities.

Mr Webb: There may be—

Mr Hayes: There may be some municipalities that are doing it for profit, but I think at the same time there is some incentive to reduce the waste at the source.

Mr Webb: I'll go back to the Ford Motor Co. The Ford Motor Co generates about 100 pounds of waste per vehicle. They then give that 100 pounds of waste to us and we recycle just in excess of 90 pounds of that waste for them on a daily basis per vehicle. That cost to them is cheaper than the cost of landfilling.

The Vice-Chair: Thank you for appearing before the committee.

1130

RECYCLING COUNCIL OF ONTARIO

The Vice-Chair: The next presenter is the Recycling Council of Ontario. I understand Mr Hanson is here, if you'd take a seat, please. I think you all have received documentation from Mr Hanson. I think you have been here, you know what the format is: 20 minutes, if you would start with your presentation. Please introduce yourself first for the record.

Mr John Hanson: Thank you, Mr Chairman and committee members for this opportunity to comment on Bill 7. My name is John Hanson and I'm the executive director of the Recycling Council of Ontario.

For your background information, the Recycling Council of Ontario is a non-profit corporation broadly representing about 800 members which include municipal governments, resource and manufacturing industries, recycling and waste management companies, environmental groups, trade associations and the public.

Members of our council believe that society must minimize its impact on the environment by eliminating waste through reduction, reuse, recycling and composting. To this end, we work cooperatively with all levels of government, industry and the public to share information on developments in our field and also to promote policies and technologies which we believe will most effectively reduce waste.

In 1989, the RCO, along with the Ontario Ministry of the Environment and Ontario Multi-Material Recycling Inc, was recognized with an environmental award from the United Nations for its part in helping to establish Ontario's blue box program. So we have an ongoing interest in building on this success through the expansion of curbside and industrial-commercial-institutional recovery programs.

My comments today will focus on two aspects of Bill 7, the definition of "waste management system" and the financing of municipal recycling efforts.

We've reviewed the presentations of the Ontario Waste Management Association and the Association of Municipalities of Ontario regarding the public versus private sector responsibilities and flow control, and we believe that the definition of "waste management system" in section 208.1 requires amending to more clearly delineate sectoral responsibility.

The reference to private sector responsibility in section 151(e) of the Regional Municipalities Act, which allows for the provision of "services and facilities for the collection of waste from non-residential properties and residential properties containing more than five dwelling units without the consent of the regional council" is not adequate in the context of section 208.3 of the Municipal Act, which provides regional governments with the power to "provide all or any part of the waste management system in all or any defined area of

the local municipality." We believe the clarification of the "waste management system" definition would resolve the ambiguity.

The RCO is sympathetic to the AMO's concern about areas of overlapping responsibilities and its argument that we cannot draw an artificial line between the two sectors. It's true that many municipalities currently provide both recycling and waste disposal services to private sector and multi-unit residential generators. In fact, given the reluctance of many building owners and managers to assume the additional expense of recycling, much of the progress in providing apartments and townhouses and small businesses with recycling can be attributed to municipal investment.

Therefore, it's very important that the definition of a "waste management system," while more clearly delineating public and private roles, be flexible enough to accommodate these current operational realities. I regret that we do not have a suggested amendment to this effect at this time. The RCO believes that dialogue on this issue should be encouraged between municipalities and the private sector.

The AMO has also argued that greater flow control powers are necessary if municipalities are to be held accountable for meeting the government's short- and long-term waste reduction targets of 25% and 50% respectively. While the RCO is supportive of these targets on a province-wide basis, we believe that each sector needs to be responsible for the waste stream in its own area of responsibility, and targets should be set for each sector which will maximize diversion from that sector, using the provincial targets as a minimum. Again, government and industry dialogue to establish these targets must be a priority.

The RCO is highly supportive of the municipal user-fee powers authorized in section 155 of the Regional Municipalities Act. Many jurisdictions in North America and Europe are successfully funding their waste management operations on a user-pay basis, and in many cases the volume and weight-based rates have resulted in increased recycling activity and the reduction in overall garbage generation.

The RCO agrees with the AMO, that paying for waste management from the property tax base does not promote consumer awareness of the costs of purchasing and disposal choices, does not encourage product stewardship or resource conservation. We also agree that user fees should not be the sole means of supporting municipal waste management activities, but that industries must assume product stewardship responsibility by internalizing waste management costs in the purchase price of the products and packages they sell into the marketplace.

We strongly disagree with those municipal politicians who advocate discontinuation of municipal recycling programs on the false premise that secondary markets

for blue box materials are inadequate or that recycling programs cost too much. This is not the case. Markets are broadening and strengthening all the time and differentials in the cost of disposal and recycling are not as great as are often quoted. In some cases, recycling even costs less and concerted efforts are being made to address long-term financing issues.

In closing, we view Bill 7 as an important step to ensuring that upper-tier governments accord waste reduction and recycling the same priority as garbage collection and disposal, that financing of waste management systems will be made more explicit in the future. That concludes my comments. Thank you very much for the opportunity.

Mrs Fawcett: On page 2, when you talked about the inadequacy of the context of section 208 of the Municipal Act, I wonder if you could just expand a little more on your concerns there and why you really feel that. It was my understanding that AMO didn't really find too much of a problem with that, or maybe I misunderstood its stand.

Mr Hanson: No, and I think the problem is with the private sector which is not willing to make further investment, unless that's clarified, to limit the powers of government.

Mrs Fawcett: As it stands, then, you feel that this could create a real problem down the road in trying to carry out what the bill would say.

Mr Hanson: Yes, we do.

Mrs Fawcett: The presenters just before you really felt that the municipalities were weakening their stand on recycling. I'm just wondering if part of the problem is their own cutbacks in transfer payments coming to them, and that the municipalities are in a real financial crunch. Maybe they would like to continue the recycling but they really feel strapped because in fact—and I know certainly around organic waste they're really worried and concerned about how they're going to deal with all of that.

Mr Hanson: Yes, we're very sympathetic to the financial constraints that municipalities have with regard to funding for many different areas. It's one of the reasons that we're so supportive of the user-pay powers authorized under these amendments.

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Mrs Fawcett: Do you feel there might be an added cost, though, with administration, if they bring in full user-pay? Are we creating another level here of further costs, especially if, as one presenter suggested, they're going to remove some of the tax because now there are going to be user fees? I really wonder how that's all going to work.

Mr Hanson: In terms of implementing user fees, obviously there's a tremendous amount of public opposition, as we saw in Peterborough when

Peterborough polled its citizens on whether they would accept that kind of program. It can only be done, I believe, if there's a clear understanding that it's not going to be a double tax.

A number of municipalities are now breaking out their waste management costs on the tax assessments so that if and when user fees are implemented, they can be shown as a reduction on the tax assessment. I think the public education around the implementation of user fees is very important. Certainly, there would be some administrative costs associated with this program. We believe the benefits would outweigh the costs.

Mr David Johnson: In many regards I think this is probably a very realistic and workable sort of proposal you put forward. You have suggested that each sector should be responsible for its own waste stream. What sectors do you envisage? Obviously, there's municipal. Are you talking about industrial, commercial?

Mr Hanson: Under the regulations that take effect under Bill 143 on August 1, there are nine sectors—I guess 10 if you include municipalities—anything from the food service industries to construction demolition companies to hospitals and institutions, schools and that sort of thing. I would suggest the breakdown would be along those same lines.

Mr David Johnson: So the municipalities would not have the responsibility for meeting the target for any of the other nine sectors then.

Mr Hanson: Right.

Mr David Johnson: You mention North America and Europe in terms of the user-pay. The question I asked earlier to another deputant was, had that deputant worked out what you would have to pay by bag, I suppose, to meet the full costs of a waste management system? Has the RCO worked out such a figure? Secondly, could you be more specific where in Europe, for example, and perhaps the United States, they've used a user-pay system in a larger urban centre?

Mr Hanson: To answer your first question first, the communities that are running user-pay programs right now generally charge somewhere in the neighbourhood of \$1 per bag, and a bag of garbage can weigh anywhere from two pounds to 30 pounds depending on what's in it. So it's difficult to say on a per-container basis.

There are programs in Europe. The German programs are very widespread. Most of Germany operates on a system where you rent a standard container from your municipality and are billed for that container, so you're limited in terms of what you can put out each week. If you want extra containers, then you have to purchase those or rent them from the municipality.

Mr David Johnson: Does the revenue generated cover the cost of the waste management system as a whole? One dollar a bag wouldn't make a dent in it. It

would be minimal revenue by comparison with the cost.

Mr Hanson: Actually, it does. The waste management systems in Ontario can cost anywhere from \$100 to \$200 per household. If you figure that a household puts out a couple of bags of garbage per week, you're generating \$100 per year in those fees. But as we're saying, we don't believe user-pay should be the sole means of paying for municipal waste management services. We're strong supporters of product stewardship on behalf of industry.

Mr Wiseman: In order for the recycling to be really bought into by all the partners, it has to be profitable to them in some way. I'm a little worried that when you make flow control or you develop municipal-wide systems that everybody has to be part of, you lose out in terms of the flexibility of somebody being able to be innovative.

For example, if I were a restaurant owner, I would not want to have my options restricted to either a commercial or the region picking up my waste, because I know out there right now that there is a company that is making a stainless steel composter that would eliminate my waste at a very economic rate for me as an entrepreneur. I could buy it or I could rent it, but I could pay for it in about seven or eight months in terms of my tipping fees. I wouldn't want that option to be lost to people who are being innovative and creative.

My question to you is, how do you do that in terms of product flow control or permit-by-rule and all of these other things people are talking about? How do you maintain that kind of flexibility at the same time as making sure that we attain our goals?

Mr Hanson: I'll start by saying that I agree with you entirely. I think much of the innovation in our field has come from private sector companies. We are supportive of maintaining the current breakdown of responsibilities between the sectors, but there are all these grey areas. For example, the city of Toronto picks up glass and other materials from restaurants within its borders, so as the amendments are written, as we interpret them, it would give municipalities the authority to keep that responsibility within their own jurisdiction. We would be concerned about that.

Mr Wiseman: But if they're creaming the best, the most saleable products, if the municipalities are doing that, what's left over in terms of, how do you market the very difficult stuff? One suggestion has been that you shouldn't market, that you should give it away to companies to use.

Mr Hanson: I think if that there are materials within the waste stream that bear an inordinately high cost to recover or dispose of, those products should be contributing their share to whoever's collecting them; the costs should be internalized into the purchase price of those products, this being the basis for product stewardship.

It's in fact consistent with what has been proposed by the Grocery Products Manufacturers of Canada, that after three years, depending on what the operational costs are for running a system, they would have differential rates for the different materials they're selling into the marketplace. That's, I think, a very unique proposal, and we're certainly supportive in principle.

If I could just come back to your comment about somebody having to make money from recycling, we look at other essential public services, like snow removal and sewage, etc., and these are not always profit-making undertakings.

Mr Wiseman: But that's the view of the municipalities with respect to recycling. They've got to make money from it or they won't do it.

Mr Hanson: Yes. I think that is the view. For that reason, we are very supportive of the government's regulations that say if you're over 5,000 population, you have to recycle this specified schedule of materials, because we view recycling as just as essential as waste collection and disposal.

Mr Hayes: Just really quickly, from your very good presentation, I gather that you are actually in favour of this bill except that you're requiring a couple of clarifications, definitions of roles and responsibilities. I think that's really what I am getting from your presentation.

Mr Hanson: Yes, but I guess I would say that's the most problematic, that the initial definition of "waste management system" is probably the most problematic aspect of the whole bill, in our estimation.

Mr Hayes: I notice you touched on the educational part, but the Association of Municipal Recycling Coordinators had in its report a fairly lengthy list of things for public education. Do you support that effort? That is something we need to encourage people to understand, I suppose, more so the need to reduce the waste.

Mr Hanson: We are very concerned about public perceptions about what is happening in Ontario. We've been very involved in the development of recycling since the late 1970s, and we're very aware of the incredible investments that are being made by the private sector. Domtar is investing \$200 million in its technology to turn boxboard into writing paper. There are many, many examples of investments and markets strengthening and broadening and new material markets emerging, yet the overall perception in the public is that recycling is not working, that we are having to send materials to disposal.

I saw in the Metro Toronto business magazine that came out a quote that millions and millions of tonnes of curbside recyclable materials are going to disposal. We only picked up about half a million tonnes in Ontario last year and less than 5% of that actually went to disposal. The rest was successfully marketed. The

reason there are these misperceptions is that the media like to sensationalize problems, and there have obviously been some significant problems as demand has failed to keep pace with supply. There will be, obviously, problems as new materials are added and markets are in an imbalanced situation.

We feel it's very important to provide the public with better information about what's happening, hopefully to get a little more responsible coverage from the media.

If I could just make one point about education, most people think that we are recycling in order to avoid disposal and to save landfill capacity, when in fact only about 1.4% of the waste associated with the products that we use and consume is municipal solid waste. The other 98.6% is primary resource wastes like mine tailings and slag and sludges and things, and that's the real reason that we need not just to recycle but to reduce. That's why public education is so important and it is why the municipal role in recycling is a very important link in the chain that shouldn't be broken.

The Vice-Chair: Thank you very much for your presentation, Mr Hanson. We will now stand recessed until—

Mr Tilson: Mr Chairman, I have two points of order I'd like to speak on. The first point of order is that in most of the committees that I've sat on, there is a rotation as to questions from the three parties. I noticed that you've been starting with the Liberals and ending with the government. I would just ask that you would consider—

The Vice-Chair: We'll rotate; that's fine with me.

Mr Tilson: Yes. The second point of order is that I didn't time it precisely, but I'm fairly certain that the government had considerably more time on that last round of questions than either the Conservatives or the Liberals. I know you're doing your best to be unbiased, but I know that both Ms Fawcett and—

Mr Mammoliti: On that point of order, Mr Chair—

The Vice-Chair: Just let Mr Tilson finish his point of order. I was a little bit flexible, I admit that, because we had a little bit more time than usual, and I may not have been quite to the second for each caucus. I admit that.

Mr Tilson: You're doing a fine job, Mr Chairman. I just ask that you'd consider that in the future.

Mr David Johnson: I think we should give Mr Tilson 10 extra minutes.

Mr Tilson: Absolutely.

Mr Hayes: I have a point, Mr Chair.

The Vice-Chair: Mr Hayes. I don't think it's a very serious point, but Mr Hayes.

Mr Hayes: Within the spirit of cooperation, I suggest that, even though you have done a terrific job on chairing this committee, we'll give Mr Tilson an

extra minute this afternoon.

The Vice-Chair: We will. We will if he's here this afternoon.

Mr Tilson: Oh, yes.

The Vice-Chair: Okay, we stand adjourned until 4 o'clock.

The committee recessed from 1154 to 1603.

The Vice-Chair: Could we please begin the afternoon's proceedings, as we have a full agenda. I ask you to take your seats, please.

CITY OF NORTH YORK

The Vice-Chair: The next delegation is the city of North York. The mayor is here, if you would take your seat up front, and your delegation, whoever would like to sit with you. I'm sure you're familiar with the procedure. It's 20 minutes, and normally we leave some time for questions and answers; I hope you will as well. Perhaps for the record, even though most of us of course know you, you would introduce yourself for Hansard and introduce your delegation as well.

Mr Mel Lastman: Thank you very much, Mr Chairman. My name is Mel Lastman. To my right is Paul Sutherland, deputy mayor of the city of North York; to my left is Councillor Milton Berger and our commissioner of public works, Alan Wolfe. I want to thank you very much for having us. I hope my five minutes hasn't—it hasn't yet started; okay.

The city of North York right now is paying \$85 a tonne for picking up garbage, versus \$205 a tonne for the blue box. This was a program that was introduced to us. We were brought into it through Metro, it was a Metro program, and North York was the second-last of all the Metro municipalities to get on the program. For North York to take over this program is going to cost \$5 million, total cost, in year one. North York will be forced to increase taxes in 1994 by \$5 million, and we're quite concerned. Metro is going to save about \$15 million or \$20 million. Are they going to reduce their taxes by that \$15 million or \$20 million? I don't know, and I don't think so.

OMMRI and the province have contributed many millions of dollars to assist Metro with the blue box program. From 1986 to 1990, OMMRI gave Metro \$20 million to assist it with the program; from 1990 to 1994, \$45 million, of which OMMRI only ended up giving them \$11.5 million. I understand that OMMRI owes Metro money now that it has not yet paid.

The province appears to be backing out of helping to pay the cost. Where they helped Metro, now it appears as if the entire cost will be dumped on the local municipality. There's no way we can afford it and we don't know if the blue box is the way to go. Curbside blue box is the most expensive way of operating. Metro has been criticized many times by the province for having a Cadillac service for day care. Well, let me tell you, if

that's a Cadillac service, this is a Cadillac service too, the blue box. It's a very, very expensive way to operate.

The city of Calgary just recently had the blue box, but it switched to a city-wide depot system, bins at designated shopping centres and parking lots, and reduced its costs by 75%. Their people are very happy with it. I'm not saying we want to go that route; in fact, that's the least of any route I would even consider.

A great job has been done on selling the blue box, but we can't afford the blue box. Soon I don't think anyone will. Eighty-five per cent of the households are using the blue box right now and a lot of people feel they're making a great contribution; that's terrific and that's why people are using it. If recycling is abandoned by anybody—and I agree that you can't abandon it, because we'll never get those people back, we'll never get them to recycle again.

Our intention is not to eliminate recycling but to find a better and less costly way of doing it. We have to come up with a viable alternative. There are ideas out there, and one of the ideas we want to explore is colour-coded bags, for example, white for newspaper, blue for plastic, pink for glass or whatever. People would put their garbage out either in their garbage cans or in their green garbage bags.

North York would also like the option of collecting blue box every two weeks and possibly still have two garbage pickups a week. Picking up garbage and recyclables at the same time may be the only way to find big savings, because right now we're sending out our garbage trucks, they pick up the garbage, then along comes a blue box truck, it picks up the blue box. It means a lot of vehicles and a lot of people, and we just can't afford it.

We're very concerned also about something that is being introduced: user fees. It's just another way of taxing, and our taxpayers are already paying a user fee by paying their taxes. The user fee is in their taxes, and we don't want to see—our taxpayers can't afford any more new taxes. Neither can yours.

New Brunswick has a deposit refund program for glass and plastic bottles, metal cans, juice cartons and pouches, drinking boxes and foil lid cups. I don't know what the province is doing about giving incentives to companies to set up recycling. I know in the United States there's a lot of this going on. There are a lot of companies being set up to recycle. We don't have nearly enough.

For beer bottles and beer cans they have a deposit system. You can go to any park in North York, any ravine in North York, and you're not going to find beer bottles and you're not going to find beer cans, but you're going to find a lot of pop cans and liquor bottles. The province has to legislate a deposit system for the LCBO products and for pop cans, juice cartons and

pouches, drink boxes and other food and beverage containers. I don't know why the province is not legislating the LCBO to put a deposit on their bottles.

1610

Mr Chairman, members of the committee, we don't want to be pushed into using something that we can't afford, because we think we can find something better and less expensive. We feel you should give us the opportunity to find a viable alternative, because we just can't afford the blue box. We hope you won't treat us any differently than you are the other municipalities in the province of Ontario.

Let us do what's in the best interests of our taxpayers. We are the experts in garbage collection, so we'd like to have the freedom to choose what works best for our community. We shouldn't be forced to do it Metro's way if we know there is a better way. We don't need Metro dictating to us that the blue box is the only way to go. That's our biggest fear, because it completely ties our hands. We can't have Metro regulating our every move. Metro councillors are not as accountable as we are to our taxpayers.

In the past, we have had some difficulties with Metro's use of power; for example, the advance tax levy date, where the province—previous governments; when I say "the province," I don't necessarily mean this government—gave them the legislation that they can demand payment within 10 days. Well, they took advantage of that, and the first year, in 1992, it cost us \$2.2 million to pay Metro earlier.

Today, we're forced to borrow \$100 million from our reserves to cover property taxes that we have not yet received from our taxpayers. We only get 16% of the taxes; 84% has to be given to the school board and to Metro. There is no sympathy there; there's no feeling there. The local municipalities are getting into trouble because companies are going broke, in bankruptcy, and you can't do anything while they're in bankruptcy and we have to wait three years. There are area residents who don't want to pay their taxes because of MVA and a host of other things, or they can't because they haven't got work.

We just couldn't talk to Metro. We had a rough time trying to get our message across, and we couldn't: "If these things took place, how could we work together?" We found it was very difficult; it was impossible.

We found that as soon as Metro got some planning powers, it needlessly delayed—like the bridge home development project, a huge project, that could get housing going, get development going, get jobs going in the construction industry, and they delayed that project for one year. They delayed for two years a plan to revitalize our dormant industrial areas. We're sitting with 14 million square feet of empty industrial space, and that means 20,000 jobs; it means about \$15 million a year in taxes. They stalled us around for two years.

We're very concerned about this, and we finally got it through two weeks ago.

I'm throwing in an extra thing here. Metro does want to take over local planning of major developments, as you know, and our official plans. Well, I'm not going to go into this. Every time they use their authority, it closes off viable options, and the same is going to hold true with the blue box program, because you're telling us how to pick it up, through Metro, telling us what to pick up and how to dispose of it.

I also have articles here from Calgary about how great their program is and how well it's working. I have here about the blue bag, how well that's working and how well it could work. There's been a study funded by the ministry, by the provincial government of Ontario, showing that there's less breakage, it recovers more glass, it's easy to store, bags can be recycled, it's easier to carry, especially for seniors. It's used right now in 30 million homes.

Here is another program in New Brunswick, how they're getting deposits on all different types of products, plastics and everything else. There's an engineering study that backs up some of the things.

There's also a letter here from the Metro commissioner of works saying that after the first five years they will test other methods, such as the bag program. It's never been done.

All we want is some freedom to be able to operate, freedom to be able to test other methods, freedom to be able to use those other methods if they work and if they work to everyone's advantage.

Thank you very much. If there are any questions, I'll be happy to answer them.

The Vice-Chair: Thank you very much, Mayor Lastman, for your presentation. In accordance with the wishes of the committee, we're starting a different rotation; it's the turn of the Conservatives.

Mr David Johnson: Mel, as I understand it, what the bill contemplates is the user-pay system that you commented on. It looks as if what's contemplated is that the regional municipality, in this case Metro, would charge the local municipalities by the tonne perhaps for their garbage—I see some heads nodding at the back—and then the local municipalities, in this case North York, could impose a user fee on the citizens of North York to foot the bill to pay the regional government and also to offset costs locally. That's perhaps how the thing would work. I think I know your sentiments, but maybe you could comment on what your view is of that sort of scheme.

Mr Lastman: The taxpayers are already paying a user fee, and this is nothing else but another means of taxation. We can't afford another means of taxation right now, David. Our taxpayers are crying. They've had enough. They can't take any more. Metro definitely,

as you know, is very strong on a user fee. They will charge us, and I don't think we can charge our taxpayers a user fee today.

Mr David Johnson: I guess what's being said is that there would be a corresponding reduction in the taxes. This is the line that's being fed, that if you put in the user fee, then you would take it off the tax rate.

Mr Lastman: I have never seen a government take something off once it puts it on, any government.

Mr David Johnson: I think a lot of us would share that opinion around here.

One thing you didn't mention—the point is made in your submission, but you didn't mention it—is the authority of Metro to assume all the waste management responsibilities. The way the bill is structured at present is that Metro, simply by a vote, could assume every aspect of waste collection within the city of North York, including collection.

Mr Lastman: That's what I was doing here, crying to you that we're afraid of that. We're afraid that if it passes that way, we are in bad trouble. You haven't done that for any other region outside of Metro. That's why I hope you will not treat us differently. We found they're very difficult to talk to, like what they did to us. Toronto's out borrowing all kinds of money for the first time in the history of Toronto, because people aren't paying their taxes, because it has to pay the school board and Metro within 10 days whether it collects it or not.

The Vice-Chair: Thank you very much, Mr Johnson. I'm sorry, we have to be a bit tighter with the time this afternoon. Mr Mammoliti.

Mr Mammoliti: Mel, I like the tie, by the way. I'm wondering if you can maybe give it to me on your way out.

Mr Lastman: Beg pardon?

Mr Mammoliti: I like the tie. I want it.

Mr Lastman: Thank you.

Mr Mammoliti: I've listened carefully to your statement and I too agree that we in some ways have been bullied by Metro in North York. I say "we" because I live in North York. I agree with some of the statements you've made.

From what I gather, because you didn't mention anything about any other area in the legislation, I'm assuming that you're happy with everything except perhaps an area that isn't as clear as it should be, in terms of local autonomy and giving North York the ability to make some decisions. I'd like you to be a little more specific, if possible, and tell the government right now, put it on record, where you think the changes should be in terms of any amendments to give you the authority that you would want.

Mr Lastman: I was only coming down here to

speaking about the blue box. Councillor Sutherland has the other areas that he will be covering.

The Vice-Chair: Perhaps I should remind everybody that there are about two minutes for each caucus, so very quickly, Councillor Sutherland, please.

1620

Mr Paul Sutherland: Let me start with that, and then I'll come back to an overview if I can, quickly, after that.

Basically, what we'd like to see is that there be an amendment, which is at section 150 of the legislation, that Metropolitan Toronto could only assume a waste management power from the area municipalities if 50% of the councils of the area municipalities representing 50% of the population of Metropolitan Toronto agree to the assumption.

In other words, this legislation says local municipalities are responsible, except that in the case of Metropolitan Toronto, because of what I hope is an oversight, it says it can simply pass a bylaw that gives it full authority over all waste management in Metropolitan Toronto without any consultation with the local cities. We obviously think, for all the reasons the mayor just pointed out, and others, and just from a practical point of view—you'll see from the submission from all six works commissioners from the six municipalities—that there are technical problems with that.

What we're saying is, look, if they want to be involved in waste management and we're involved in waste management, there has to be an agreement by the majority of people in this city with Metro with that bylaw, whatever it is that it adopts. We think that with that mandate we'll get a good system that's reasonable and fair. We just feel that's very important.

Mr Mammoliti: Would you be able to put some language together for us, or have you already done that?

Mr Paul Sutherland: The amendment would simply be that. Actually, you could add a clause (c), if you want me to be even more specific, to the legislation under section 150 that basically says in the case—

Mr Mammoliti: Which section of the bill?

Mr Paul Sutherland: The section in the legislation, the Regional Municipalities Act, is section 150.

The Vice-Chair: I don't think the members of the committee have received the submission yet. You will be getting a submission from the city.

Mr Paul Sutherland: In effect, we're saying that at least three city councils representing 50% or a majority of the people living in Metropolitan Toronto would have to agree with the implementation of a waste management program. If an agreement can't be met, the legislation says that as a city we're responsible for doing it. We will do it if the legislation says that.

From the government's point of view, presumably,

from this committee's point of view, you're still protected in the sense of implementing the legislation. I think that's the critical part you're interested in. How we do it is something best decided by the municipalities and Metropolitan Toronto.

The Vice-Chair: Thank you very much. Just to clarify, this submission that was just distributed, is this on behalf of the city as well or on behalf of the—

Mr Alan Wolfe: If I could comment, this is a submission from the commissioners of public works from the area municipalities. It represents our personal opinions. It has not been endorsed by any council, though I think it reflects what the councils have endorsed.

Mr Paul Sutherland: I do have the motion here that I could submit to you afterwards. I don't have enough copies for everybody here, but I do have the one—

The Vice-Chair: That would be appreciated. If you'd leave it with the clerk, please, it will be distributed.

We're now moving to the official opposition. I understand, since we have some visitors, Mrs Caplan would like to ask a question.

Mrs Elinor Caplan (Oriole): Actually, I don't have a question. I just want to say, as a member from the city of North York, that I think this is a very positive proposal that's been put forward by the mayor and the councillors, both Sutherland and Berger, and I see Councillor Rizzo here as well. If the government will consider favourably what is being put forward, especially given the advice of the commissioners of all six municipalities, it will make the system work better. I just want to say how hopeful I am that the government will listen to you.

Mr Milton Berger: I just want to add that we're asking not to be stepchildren of the province. That's all we are. At the present time, as the bill is written, the people in municipalities in Metro are stepchildren. You put that protection in for other regions in Ontario, saying you have to have 50% of the population, at least three of the municipalities, in agreement with the region. And by the way, they sit on the regional councils; they can debate and argue right on the councils. We are not sitting on those councils, just on the one council, so our hands are tied more so than theirs, yet the bill is reversed.

I'm hoping that the bill, whoever wrote it, was written this way by mistake, that it should have been the opposite way, because it doesn't make sense that those who sit on the regional council—on both councils—can argue and debate on their council and vote against it, yet those of us who sit on municipalities here in Metropolitan Toronto have no seats on Metropolitan council, except the mayors. Our hands are tied. They say, "You have no input."

We are not asking for more than you have proposed for the other municipalities in Ontario, to other regions. Give us the same right; nothing else.

The Vice-Chair: Thank you very much for your comments, and thank you, the delegation from North York, the mayor in particular, for your presentation. We appreciate your contribution.

Mrs Caplan: Mr Chairman, one of the things the mayor didn't do, because I know how modest he is, is to say that the city of North York has been a leader in environmental issues. I can remember from my days on North York council, the environmental committee; I know Councillor Berger particularly has been very active in that. I know they're here today because of their commitment to the environment and to these programs, and I hope the government will heed their advice.

The Vice-Chair: Thank you again for coming before the committee.

Could we please have conversations outside, because we are already behind schedule. Could we have some order, please.

CANADIAN INSTITUTE FOR
ENVIRONMENTAL LAW AND POLICY

CANADIAN ENVIRONMENTAL LAW ASSOCIATION

The Vice-Chair: The next presenting group is the Canadian Institute for Environmental Law and Policy and the Canadian Environmental Law Association. Are the presenters in the audience? Would you please introduce yourselves for the record.

Ms Anne Mitchell: My name is Anne Mitchell. I am the executive director of the Canadian Institute for Environmental Law and Policy, or CIELAP as it's called. I have with me Zen Makuch, on my left, who's counsel with the Canadian Environmental Law Association and is part of the CIELAP waste management research team. I also have with me, on my right, Mark Winfield, who is CIELAP's director of research. Zen and Mark are the ones who have worked on the presentation that's going to be made to you today.

We welcome the opportunity to meet with you today. Both CIELAP and CELA have been actively involved in the development of waste management policy at all three levels of government in Canada. We've also written many papers and we've sponsored many conferences and workshops.

Our work in waste management includes A Regulatory Agenda for Solid Waste Management, which was produced for Metro Toronto, describing the use of regulation to reduce municipal solid waste; Breaking the Barriers, a study of legislative and economic barriers to industrial waste reduction and recycling; and more recently, we hosted a conference on solid waste management in Ontario called Looking Back and Looking Ahead. We brought together a research team for that

project and prepared a background paper which was distributed to participants. The proceedings of the conference were also published and CIELAP prepared its own nine-point action plan for municipal solid waste diversion in Ontario.

These documents have been put together into the document Looking Back and Looking Ahead: Municipal Solid Waste Management in Ontario from the 1983 Blueprint to 50% Diversion in the Year 2000. This document and copies of it are available from the CIELAP offices. We are currently working on a background paper on product stewardship models, with the intention of developing a draft product stewardship regulation for Ontario.

As you can see, we have done extensive work in the area of waste management. We are therefore pleased to be here today and to have the opportunity to make our views known to you.

In reviewing Bill 7, we were pleased that there are a number of positive aspects. These include the power to establish, maintain and operate a waste management system, including services and facilities for the reduction, reuse and recycling of waste; second, the power to establish fees for the use of any part of a waste management system; third, the power to provide all or any part of the waste management system in a local municipality; fourth, the power to permit upper-tier municipalities to charge lower-tier municipalities for waste management services; and fifth, the power to prohibit or regulate the dumping, treatment and discharge of wastes at a waste management facility.

We know that the municipal powers provisions proposed in the bill are generally consistent with some of the recommendations that were in CIELAP's nine-point plan. We do, however, have some areas of specific concern, and I'm now going to ask my colleagues to participate in this presentation.

1630

Mr Zen Makuch: Thank you, Anne. The fact that all of you are here today while your federal counterparts are off in parts unknown is not lost on the citizens of Ontario.

The Vice-Chair: Thank you very much. I hope you spread the word.

Mr Makuch: Appreciating the time of day, I'm not going to drag you through a 16-page brief word by word, so I'll try to hit the high points.

But first let me explain that what our association does is law reform exercises of the kind that are facing you, in addition to representing clients in environmental matters, and we've dealt with our fair share of landfill cases through private prosecutions and nuisance actions. Believe you me, the last thing that Ontarians need is more landfills.

It seems to me that this bill carries the modernization

of waste management forward in important ways and that in particular the present government has been responsible for some fairly significant reforms in that area, and it's to be congratulated for it.

The genesis of this bill owes itself in part to discussion paper number 2, which was released some time ago and which goes perhaps a little further than the bill itself does. I'd have to admit that we would state a preference for the far-reaching approach taken in that discussion paper, and I'll explain to you in particular what measures we feel are missing from the bill which we would like to see included in clause-by-clause, but first a discussion of the controversy around waste management systems and what that will be defined as ultimately in Bill 7.

I'd call all of your attention to the fact that a small amendment to the definition itself should take place to include more than one disposal site in the definition of "waste management system." That was perhaps a small oversight of the drafters of the legislation, and you'll see what I mean by that if you refer to the brief.

On the issue of whether or not we should be using an inclusive definition of "waste management system," one which includes private waste management systems in addition to public waste management systems, we fall on the side of the municipalities. We support an inclusive definition. It seems to us that if we're going to adequately give municipalities the opportunity to implement comprehensive waste management plans, then that must require the regulation of private waste management systems as well.

On the issue of flow control, I think that the position we take is a related one. You can't have adequate flow control powers unless that inclusive definition is in place. Presently, several forms of municipal organization don't have adequate flow control, and Bill 7 allows that to take place.

One thing that's also clear is that the province is setting very ambitious targets for waste reduction and, in that regard, municipalities will be asked to toe the line, and Bill 7 does that. But if we're to achieve it, then expanded flow control powers are a way of doing that.

On the issue of tipping fees in connection with flow control matters, it seems to me that one of the better illustrations of the flow control problem is one in which tipping fees would be regulated for municipal landfills but not private landfills. If that situation were permitted to exist, then recycling materials may very well end up in private landfills which may take a competitive advantage of a lower tip fee, and that's why we need an inclusive definition of "waste management system."

One of the better examples of no flow control and what that means is the incredibly large amount of garbage that's being exported to the United States. I

think that in the greater Toronto area alone last year \$1.2 billion was lost as a result of exports. If we had proper flow control management, chances are that would decrease significantly.

On the issue of private versus public waste operators, it seems to me that the status quo is something that is to be encouraged, in the sense that both public and private waste companies sectors have played a valuable role and will continue to do so in the future. It's just a question of the integration of those roles in implementing Bill 7.

With respect to municipal approvals for recycling sites, we can't side with the Ontario Waste Management Association in its suggestion that municipalities not have powers of regulation concerning recycling sites. What we saw take place under the regulations to Bill 143, the Waste Management Act, was in effect a deregulation of those sites by moving from the certificate-of-approval approach to a permit-by-rule approach. We feel that represented diminished opportunities for ensuring the environmental standards that are needed at these facilities and diminished opportunities for community involvement, so to deregulate even further, as the OWMA advocates, is counterintuitive from our perspective.

Some smaller points: There is a provision in the bill that calls for an Ontario Municipal Board hearing. That's subsection 208.3(4). It allows only a 10-day notice period before an Ontario Municipal Board hearing takes place. It's not an adequate amount of time for the parties to prepare, so out of fairness to all the parties we'd suggest a 30-day rule, which is more typical of notice provisions for Ontario Municipal Board hearings.

On the issue of inspection powers, a close look at that reveals that by comparison to other provincial legislation the powers that are being given to municipal inspectors are not as comprehensive. For that reason, if you look at our brief, you'll notice that we would like to include four powers reserved for municipal inspectors in the future, some as basic as requiring the production of documents related to the purposes of the inspection. We would suggest those as amendments.

Moving on to the financial issues, one of the big concerns that we had when the Initiatives Paper was first released was that the province was without a sound financial management plan in connection with the extension of powers to municipalities over 3Rs. We still haven't seen a financial plan which encourages the integration of provincial and municipal efforts, and yet we're seeing the delegation of authorities regarding 3Rs activities to municipalities.

What we would encourage the province to do immediately is to provide some idea of how municipalities might be assisted in implementing 3Rs. One way of doing that is through the introduction of a product

stewardship model, which I understand the minister is most high on and would like to see right away.

In consideration of the time, I think I'll leave it to you to review the rest of our suggestions by way of amendments. Finally, I would like to thank all of you for the opportunity to speak to these issues. I believe we can handle some questions now.

The Vice-Chair: Thank you very much. The government caucus, Mr Hayes, two minutes.

Mr Hayes: Two minutes? I will ask a short question then. Do you support the user fees as a means of achieving greater waste reduction—not the means but a means?

Mr Mark Winfield: Yes.

Mr Hayes: You do? Okay. The Ontario Waste Management Association has stated that the flow control provisions will result in a loss of investment in the 3Rs infrastructure. Are you concerned that this investment will dry up? Where will government find the money?

Mr Winfield: It would depend on the way in which the municipalities chose to exercise the power. Some people have argued that, on the other hand, the opposite effect could occur, that the clarification of roles and responsibilities for the development of infrastructure which had occurred through the establishment of municipal flow control powers might actually provide a clearer framework within which investments could be made, because hopefully it would provide some sort of clearer delineation of private sector and municipal roles and then allow municipalities to make the investments they need to make and also give private sector investors an idea of where they should be putting their money.

1640

Mr Makuch: Just to follow up on that, it seems to me that the province has a role in terms of dealing with those types of financial issues. They certainly have the regulatory power to do so. One way of achieving that is through a product stewardship model, and we're actively involved in the development of such a model.

Mr Hayes: Do I have time left?

The Vice-Chair: One quick one.

Mr Hayes: One quick one, okay. I'd like to hear your comments on GPMC, its model.

Mr Winfield: The model was very interesting and we are pleased to see that GPMC has accepted the principle of product stewardship. We have some specific concerns which will be reflected in the results of our research, which will be forthcoming shortly, in terms of the actual extent of support to municipal recycling programs which would be provided.

At the moment, what GPMC is offering is a top-up formula above the avoided costs of disposal to municipalities, minus provincial grants, minus revenue. Frankly, we think that producers should be playing a larger

role in the financing of blue box system operations.

On the one hand, I think it's encouraging that GPMC has at least accepted the principle and is prepared to put something on the table, but I think we need to think through precisely how it would work in more detail.

Mr Ron Eddy (Brant-Haldimand): I thank the representatives for their presentation and their very helpful and useful suggestions. It will be very helpful to the committee, particularly the point about requiring the province to establish a financial plan showing municipalities where the province will be assisting financially. That's something the Liberal caucus has pointed out several times, the lack of it. Indeed, it's very necessary, and thank you for pointing it out.

My one question is regarding the matter at the bottom of page 4, a similar dynamic regarding the tremendous export of garbage, which has always worried me because I wondered what's happening to it. It's "over there," as someone said, but it is a concern.

Tremendous lost revenue of \$1.2 billion for 1992 for the greater Toronto area. It's just astounding, isn't it? You say the lost revenue could be directly applied to construction of municipal 3R infrastructure, but it's my understanding that most tipping fees are put into reserve for replacement or additional landfill capacity. Would you like to comment on that for me?

Mr Winfield: Both the institute and CELA have made proposals regarding the use of municipal tipping fees. Our general position is that we would like to see them tied more to real costs in some sort of way so there would be some dedication of tip fee revenues to waste management operations first, but also in support of the development of the 3R infrastructure and activities as well.

The Vice-Chair: Now, Mr Tilson, and since we owe the Conservative Party one minute, you'll have three minutes.

Mr Tilson: Wonderful, Mr Chairman. A little noise will get you a long way.

This question of the absence of a sound financial plan has been raised by many, if not all, of the delegations as a major concern, as it was with the Bill 143 hearings as we went through Bill 143. We were promised a financial plan and have yet to receive one. My question is to the parliamentary assistant. Having heard this concern week after week—

The Vice-Chair: I'm sorry, but that would not be in order. If you want to address the question—you can put it on the record, yes.

Mr Tilson: Surely I have the right, Mr Chairman, to ask the parliamentary assistant what the government's position is on when it intends to put forward a financial plan so that this committee can do its work. Are you telling me I don't have that right?

The Vice-Chair: You have the right to put the

question on the record, but certainly—

Mr Tilson: He doesn't have to answer it; I know that. He probably won't, but I'm simply—

The Vice-Chair: We are in the process of receiving delegations and of getting comments from the delegations.

Mr Tilson: Let's try him; maybe he will.

Ms Mitchell: You're using up our time.

The Vice-Chair: If the delegation is willing to—

Ms Mitchell: Do we have anything to say?

The Vice-Chair: Yes, you have. Do you want to respond to this?

Mr Tilson: Mr Chairman, my question is to the parliamentary assistant.

The Vice-Chair: As I indicated, this would not be in order. We are in the process of receiving comments from presenters and from delegations and there are questions for clarification or additions from presenters.

Mr Tilson: One of the concerns I have is that there are many municipalities, particularly in rural areas that I represent that do not have, for example, the blue box program. They don't have recycling plans at all, and of course when you get into the cost of transfer stations, trucks and all the costs that it takes to put forward these things, if Bill 7 is implemented, I guess my question is the financial strain, particularly on the smaller municipalities that don't have the resources to implement some of these plans that could be mandated by the larger overall municipality, particularly in the county system where they could be put in a very difficult position. Have you canvassed that issue?

Mr Winfield: The powers in Bill 7 itself are permissive so they don't actually compel—there are compulsive components in terms of moving responsibility upwards to the upper-tier municipalities. The actual exercise of the powers themselves, they're permissive powers. They don't actually require municipalities to exercise the powers themselves.

In terms of imposing actual new operational requirements on municipalities, I think what you would look for there are the proposed regulations under Bill 143, which would require communities with over 5,000 residents to establish blue box programs or something similar. There is a burden being imposed on municipalities there and one which—you're quite right—I think may be particularly difficult for small and rural municipalities to deal with. I think that comes back to the question of financial roles and responsibilities in the waste management system in terms of how that infrastructure development will be financed and where the province wants to go on that.

Mr Tilson: With the extra minute that I had earned, perhaps you could give some of your thoughts as to recommendations to the government. I have perused

what you've said on the issue of finances on page 11, but could you elaborate somewhat on your thoughts on that issue?

Mr Makuch: I think that two of the issues we've raised in the paper that need to be dealt with immediately are the export issue and certainly some form of product stewardship model, because we expect that a product stewardship model will result in the development of necessary revenues to assist municipalities in implementing 3Rs programs.

On the export side, we believe it's well within the power of the province to regulate in that area by developing a certificate-of-approvals approach for haulers which specifically designates the areas to which waste should be directed. That's one easy way of closing the borders. Of course, some cooperation from the federal government would be appreciated, but these days that's hard to find.

Mr Tilson: I suspect the free trade legislation will preclude you.

Mr Makuch: We've already analysed the international trade impacts.

The Vice-Chair: I'm sorry but the time and the extra time has now expired. Thank you very much for your presentation. We know that 20 minutes is not very long, but we have your written submission and I'm sure the committee will study it carefully.

Mr Makuch: Thank you very much.

GROCERY PRODUCTS
MANUFACTURERS OF CANADA
CANADIAN COUNCIL OF
GROCERY DISTRIBUTORS

The Vice-Chair: The Grocery Products Manufacturers of Canada and the Canadian Council of Grocery Distributors, if you're here, please have a seat. Perhaps you could introduce yourself, whoever will be the spokesperson, and then introduce your delegation, please.

Ms Arlene Lannon: I'm Arlene Lannon and I'm with the Canadian Council of Grocery Distributors. Here today with me is Kathryn Rowan of the Grocery Products Manufacturers of Canada, Walter Kraus of Weston Foods Ltd and Ken MacAuley of Ault Foods Ltd.

On behalf of our joint industry delegation, I would like to thank this committee for the opportunity to appear here today. I would also like to thank them for the air-conditioning.

Our presentation will essentially address two areas: general comments on the intent and impact of the proposed changes to the Municipal Statute Law Amendment Act, and Kathryn, when I'm finished, will cover our industry initiative that we feel addresses many of the same issues these amendments are attempting to address.

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The Canadian Council of Grocery Distributors is a national association representing approximately 80% of the \$45-billion food distribution industry in Canada. CCGD represents small and large retail-wholesale companies and food chain operators employing approximately 90,000 individuals in Ontario alone.

The Grocery Products Manufacturers of Canada represent 175 manufacturers and marketers of food, beverages and other consumer products sold through retail and food service outlets. In Ontario, food and beverage processing alone contributes another 80,000 jobs to the Ontario economy.

We are generally supportive of the intent of the proposed amendments. We recognize that they bring an important balance in terms of municipal authority to the requirements imposed on municipalities by the 3Rs regulations, originally introduced in Bill 143. In particular we recognize the importance of two specific proposals within the amendments.

First, the proposal to market products from waste materials recognizes the critical importance of effective markets in offsetting costs of waste management systems. Given the existing responsibilities of municipalities in Ontario's recycling system, it makes sense for them to have the ability to market materials obtained from recycling. OMMRI, Ontario Multi-Material Recycling Inc, an organization which represents many of our industry members, will present here next week, and we are sure it will emphasize the growing markets in Ontario for these materials.

The second proposal that we support is the ability to establish user fees and incentives for waste reduction. We are going to present in a minute an industry proposal which seeks to move towards a system of true cost accounting for packaging waste materials and which supports very strongly the priority of source reduction. However, we do have a major concern, and we have heard this expressed by other industry representatives, and that is the impact of potential flow control.

Section 208.2 of the act, as in section 1 of the bill, states: "A local municipality may pass bylaws to establish, maintain and operate a waste management system." While in itself this is a positive statement, we have some concerns regarding the interpretation of the definition of "waste management system."

The "waste management system" means "facilities and services for the management of waste, including collection, removal, transfer, processing, storage, reduction, reuse, recycling and disposal of the waste."

Additionally, section 208.3 gives the municipality the power to "provide all or any part of the waste management system in all or any defined area of the local municipality."

We would be concerned if this were to be interpreted

as the municipality's right to dictate which waste hauler should be contracted to transfer materials, or gave the municipality power to object to the transfer of waste from one municipality to another if it was deemed to be the most cost-effective and environmentally sound alternative by the industry involved. We would be concerned if this were to interfere with the rights of an industry to conduct its business in a competitive and environmentally sound manner.

Flow control would impact the movement of waste materials, driving up the cost of any stewardship program, as the municipality could disallow material to be processed in other jurisdictions. As an example, there is no domestic processing capability for gable-top containers at the moment. This could result in cherry-picking of what is collected and would impede the development of new markets and undermine industry attempts to implement cost-effective and environmentally sensible solutions to existing waste management problems.

Now I'll turn this presentation over to Kathryn Rowan of the GPMC to introduce the Canadian industry packaging stewardship initiative.

Ms Kathryn Rowan: One question that Bill 7 does not address is the issue of financial responsibility for the waste management system. Grocery manufacturers and distributors have developed and endorsed a proposal that was referred to in the earlier discussion that defines industry's responsibility for packaging stewardship.

We have spent the last six months seeking broader industry support for this initiative, dealing with many of the complex questions which result from such an ambitious undertaking, as well as entering into discussions with municipalities and provincial governments.

At this point, several other major industry associations have lent their support in principle to the approach, including the Retail Council of Canada, the Canadian Federation of Independent Grocers, as well as a dozen other sectoral manufacturing associations. Also supporting our approach is the United Food and Commercial Workers International Union.

I'd like to spend a couple of minutes covering off the basic elements of the industry initiative:

We are proposing that all brand owners pay a levy based on the weight of all final consumption packaging that they sell into the marketplace. This provides a direct incentive to reduce at source the amount of packaging that enters the market.

These industry funds would then be used to support two major initiatives: the first would be to support the creation of new markets for recoverable packaging materials and to increase their market value; the second would be to offset the cost of municipal recycling programs.

As a further incentive to increase the demand and value for recycled materials, brand-owner members will receive a rebate from their levy for using recycled content in their packaging.

We believe this system will only work if a regulation is enacted to ensure all brand owners and importers of packaged goods are included. This includes not just grocery products, but hardware, toys, pharmaceutical, alcohol, apparel and any other packaged goods sold in Ontario. What we need in Ontario is a working group to develop the appropriate regulatory framework to ensure the success of this program.

We believe this approach will significantly increase industry's financial responsibility for managing the packaging and incorporating the costs of managing this packaging into the product.

For example, we propose that in phase 1 the levy paid by brand owners will be a constant per-tonne charge. However, we're proposing that in phase 2 of the program brand owners would pay a specific levy based on the actual costs for managing the material within the system. Likewise, municipalities in the first phase will receive an average top-up payment to offset the costs of their programs. Similarly, in phase 2 the top-up payment received by municipalities would be specific to each material collected, depending on the costs of managing that product or packaging material within the system.

Additionally, municipalities will also benefit from industry's investments in creating new, high-value markets for recyclable materials because these revenues will then offset the costs of municipalities in running collection systems.

We support this approach because it's a demand-pull, market-driven strategy that provides incentives to industry members to reconsider their approach to packaging. We wholeheartedly believe that this will fundamentally revolutionize the way brand owners think about packaging and package their products.

We also support this approach because it's a comprehensive versus a single-product or single-material solution. This means that it makes sense both economically and environmentally. Multimaterial collection is proved to be the most cost-effective means of diverting waste from landfill, compared to, for instance, deposit programs.

As you can see, deposit programs tend to focus on beverage containers, which make up less than 2% of the total solid waste stream. By comparison, our approach would address all final consumption packaging, a much broader scope, about 17% of the waste stream.

At this point we have presented the model to officials within the Ministry of Environment and Energy and to several municipal representatives and other multi-stakeholder interests. We look forward to an opportunity to set up a process to ensure that this initiative becomes

a reality in Ontario in the very near future.

The Vice-Chair: Thank you very much for your presentation.

Mr Eddy: The presentation's suggested approach is certainly very interesting and encouraging, in my opinion. The second-last paragraph, where you say that you've made presentations to many groups and people, including the Ministry of Environment and Energy, have you had expressions of great interest, some interest or any responses at all? What's your feeling for the interest in your very interesting approach?

Ms Rowan: Perhaps I can comment and then turn things over to Ken. Since September of last year, when we developed the principles of the model, the discussions have been significant, time consuming and multistakeholder in their characteristics. Before Christmas, we had counted up the number of groups we'd met with and governments, and there were over four dozen groups with which we'd had discussions.

Our interest was in creating a broad level of support for the model, and our discussions extended to industry groups, brand-owner groups, our key customers the retailers, who sit beside me, and as well environmental groups and governments across the country.

We've had, I think, very positive response to the initiative that industry has come forward with, and if I were to suggest one overriding bit of feedback that I've had from the meetings I've had with a variety of groups, and overwhelmingly from environmental groups and government, it has been that they've had some surprise at the initiative taken by industry. Ken, I'm not sure if you want to be more specific.

1700

The Vice-Chair: Do you want to add to that?

Mr Ken MacAuley: Yes. I would just support Kathryn's comments that the concept, I think, has met with general approval. What occurs in different jurisdictions where there are different specific situations that need to be addressed is that the specific regulating authority may pick up on things it sees within the concept of the model as it's currently constructed, and in its current level of maturity that don't address all of the issues they would like to see addressed.

One of the interesting aspects, though, is that I think a lot of the regulators have seen the model potentially as a vehicle, as a concept which can have a broader application, and one of our challenges has been to try to keep a focus on the aspects of the waste stream that our industry actually contributes.

In general, a positive reaction, but at the same time the model is very much an evolutionary one. I've used the example that there isn't a three-ring binder in an office that has the answer to every specific situation that somebody can bring and say, "Does the model address this specific aspect?" As we broaden the exposure of the

model to different groups, it's that process in and of itself that brings maturity to it.

Mr Eddy: We compliment you on your initiative to reduce, reduce, reduce.

Mr David Johnson: This is somewhat similar to a system at Metropolitan Toronto. There was actually a top-up program at Metropolitan Toronto. I don't know if you're aware of that. I think it came through the bottling industry.

Mr MacAuley: The soft drink association.

Mr David Johnson: The soft drink association, that's right. Metro is quite often at the forefront of these activities, but you may want to build on that. Actually, I thought it was an excellent idea—

Mr Wiseman: I've got something in my throat.

The Vice-Chair: Order, please.

Mr David Johnson: —at Metro, and it seems to me it could be an excellent idea here.

You mention that a dozen other sectoral manufacturing associations have lent support, and I think that may be somewhat crucial. In terms of your industry, I can understand why you might be behind this. Could you comment on what kind of support you're getting beyond your own industry, in other sectors.

The Vice-Chair: Who would like to respond?

Ms Lannon: I'd like to say a few things. I think that generally most industries today recognize that they have a responsibility and that for those who've been keeping blinders on, they have to come off. If we don't do something, something will be done to us. It's as straightforward as that.

In response to your question, we look back at OMMRI, and there have been a lot of complaints about OMMRI with regard to the financial support or whatever with it. The biggest problem we have always felt was that although OMMRI was supposed to be a voluntary process, further to that we were to have legislation that would encourage people to join. Now, that didn't happen, and as a result a lot of people who should have been joining in OMMRI did not.

I think even in this process we find that we have people who are right on board with us, we have people who are middle of the road because they're just coming up to speed, and then we have the people who say, "Look, we're interested when there's legislation." That's why we've asked for backdrop legislation, so that everybody will be included.

Generally, I think, in speaking to other industries, everybody recognizes that something has to be done and that we would prefer it to be an industry-run initiative. That will keep the costs down, it will make sure that we are responsible for ensuring that our packaging waste is reduced and I think generally most industries feel that's appropriate at this point in time.

Mr MacAuley: Just a couple of comments to support what Arlene has said: One fact that I find interesting as we have dialogue with our industry colleagues is that, surprisingly, in Ontario there are a large number of individual industries or members of industry that, for example, have not heard of Bill 143 yet. There still is a major education process.

Another aspect really is the touchstone as people in industry approach this. The chair of our steering committee last year, Harry Elliott, the CEO of Best Foods, probably most succinctly described it. He said, "If, when one looks at a stewardship concept, in your mind the status quo is an option, then you're going to have a very great deal of difficulty in buying into something that says it's going to cost you more money." In fact, the organizations that have bought into the stewardship concept have very clearly stated that the status quo is not an option.

Mr Wayne Lessard (Windsor-Walkerville): Thank you very much for your presentation. Something that's come up in other presentations—and earlier on this afternoon the mayor of North York, Mel Lastman, was talking about the cost of the blue box and how he can't possibly sustain any further increase in the cost of picking up recyclable materials. The information I've been provided with is that the blue box system last year cost about \$80 million, and that this was split between municipalities and the province and about just over \$4 million by industry. In your brief, I didn't see any examples of how this cost-sharing arrangement might vary under your model. I wonder if you could give me some idea as to what percentages you might think that would break down as.

Ms Rowan: Perhaps I can comment. One of the driving reasons why our industry stepped up to the plate and developed a stewardship model was very much because of the concerns expressed by municipalities about the cost of curbside collection. We recognized that until we addressed those concerns, we essentially didn't have any answers to present to them. That needed to be a cornerstone of the model that was presented. As you can see, it is very much an attempt to address the cost overrun concerns that municipalities have experienced.

We also took a look—through our analysis, because it was extensive—at the costs of comparative systems and compared systems both here and internationally and other means of waste management systems and came to the conclusion that this—the curbside collection or blue box system—is not only the most comprehensive but is the most cost-effective and efficient system available, mainly because it amasses a much more significant percentage of the waste stream than one might ordinarily find in other waste management systems. From that perspective, it was deemed to be the best system.

Really, the fundamental crux of this model is very

much based on the notion of shared responsibility, that there have to be incentives along the way for each one of the players in the system, whether it be the municipalities, the consumer, the generator or the brand owner, to reduce and reuse. It's very much from that approach.

The Vice-Chair: Thank you very much for your presentation. Unfortunately, we are already 10 minutes behind schedule. Again, we thank you for coming before the committee. We have your presentation in writing and that I'm sure that if you have additional comments, any of us would be pleased to hear them from you.

1710

COUNTY OF LANARK

The Vice-Chair: The next presenter is the county of Lanark. Mr McEwen, perhaps you'd introduce yourself, please, for the benefit of Hansard. I think you've been here so you know what the procedure is: 20 minutes.

Mr Cameron McEwen: Mr Chairman, members of the committee, my name is Cameron McEwen. I'm the waste management coordinator for the county of Lanark. It's certainly a privilege to be with you here today. I bring you greetings not only from eastern Ontario, but more specifically from Lanark county where, I can assure you, it's much hotter than it is in Metro Toronto.

Interjection: Is it smoggy?

Mr McEwen: It is.

At your discretion, I'd like to walk verbally through the brief, which you should all have a copy of before you, and follow that with any questions that may arise from the brief.

On June 4, 1993, the county requested that the government amend the Municipal Statute Law Amendment Act, 1993, hereinafter referred to as "Bill 7," in order to vest the county with similar powers to enter and inspect property for waste management purposes that municipalities will also possess under Bill 7. The grounds supporting the county's request are as follows:

On April 23, 1993, the government introduced Bill 7 with a view to amending various municipal statutes in order to expand the waste management powers available to municipalities. Specifically, Bill 7 amends the Municipal Act, the Regional Municipalities Act, 13 regional acts and the Municipal Affairs Act. However, it does not amend the County of Lanark Act, 1989, hereinafter referred to as "the county act."

The county act is special legislation which empowers the county to undertake various waste management related functions, including the following: provide facilities to certain local municipalities for the management and disposal of waste; assume the responsibility for the collection and removal of waste from a local municipality with the agreement of that local municipality; establish and operate programs in conjunction with certain municipalities for the reduction, recovery,

recycling, reuse and composting of waste; and establish facilities for the conversion of waste.

Many of the waste management-related powers afforded to the county under the county act are similar to the powers proposed to be given to local municipalities under Bill 7. However, the entry and inspection powers under the county act are much more restrictive than those proposed under Bill 7, and therefore less effective.

In particular, sections 12, 13 and 14 of the county act permit a county official access to a property for obtaining information for waste management purposes only with the consent of the registered owner and occupier, or pursuant to a court order made under section 14 of the county act. Absent land owner consent, therefore, the county act requires application to a court in each instance.

In contrast, the amendments proposed under Bill 7 will afford a municipality the right to enter property in order to obtain information necessary to meet the requirements of, or obtain an approval under, any act related to a waste disposal site or waste management facility. Consent of the owner and occupier is not required. A municipality will only be forced to resort to a court under Bill 7 in circumstances where the inspector has been prevented or is likely to be prevented from entering on to the land.

As a consequence, the county requested the government to amend Bill 7 in order to correct this deficiency. The amendment sought can be effected by simply repealing sections 12, 13 and 14 of the county act and replacing those sections with sections 208.7 through 208.11 of Bill 7.

Alternatively, the deficiency noted previously in entry and inspection powers could be corrected by abandoning the county act, thereafter requiring the county to proceed under the Municipal Act. Given that the county has already proceeded to implement its waste management powers under the county act, however, it is preferable to amend Bill 7.

The county has expended approximately \$2 million to date under the county act on waste management systems such as services and facilities for reduction, recycling and reuse of waste, as well as the development of a comprehensible waste management master plan process. Forcing the county to abandon the county act at this time would create unnecessary transitional problems for the county, as well as creating problems in terms of administering funds that it has already collected under the county act. Simply put, it would be more efficient to amend Bill 7.

I have also included with the brief that was circulated to you today for the committee's information a resolution passed by the corporation of the town of Smiths Falls confirming its support for the county's request that

the government amend Bill 7 in order to vest the county with similar powers to enter and inspect property for waste management purposes that municipalities will possess under Bill 7.

Smiths Falls is one of two municipalities that the county had to obtain an agreement from before passing a bylaw to establish a waste management service area. The second was the corporation of the township of South Elmsley. The township of South Elmsley is no longer participating in the county waste management master plan and has not been participating since January 1, 1992.

One final point: Mr Scott Gray and Mr Satish Dhar, Municipal Affairs legal and policy branch, respectively, have informed us that the county act was not included with the regional acts to be amended by Bill 7 because the ministry considers the county act to be unique legislation. They were of the opinion, however, that both the ministry's legal and policy branches would generally support an amendment to Bill 7 in order to render the county act consistent with the approach taken in Bill 7.

Further, while the government appears willing to seek an amendment to Bill 7 on the county's behalf, Mr Dhar instructed the county that it should also make submissions to the committee to ensure that the county's concerns are adequately addressed.

That constitutes the written brief, and certainly if there are any questions related to this.

The Vice-Chair: Thank you very much for bringing this concern to our attention.

Mr Tilson: You've been led to believe by the government that these amendments that you've requested will take place? Is that what you've been led to believe?

Mr McEwen: That's the case.

Mr Tilson: Perhaps we'll wait for Mr Hayes to confirm that. Just one point of clarification, though: I guess my question is, with the county act and Bill 7, An Act to amend certain Acts relating to Municipalities concerning Waste Management, are there any provisions that conflict?

Mr McEwen: None that have been identified by the county's legal counsel, none that are significant, other than the restrictive access powers that we're attempting to amend.

Mr Tilson: Have you asked for an opinion from the Ministry of Municipal Affairs?

Mr McEwen: Again, Mr Satish Dhar is familiar, I believe, with the contents of what used to be called Bill Pr78, or the county of Lanark act, and I would have anticipated that prior to this verbal presentation any deficiencies would have been identified.

Mr Tilson: Have you had any concerns expressed by

any of the private carriers with respect to your legislation?

Mr McEwen: None.

The Vice-Chair: Any further comments?

Mr David Johnson: I think we've clarified the county act situation fairly well, depending on the government's willingness to move, as you've indicated. Are there any other concerns? Through these debates, we've had concerns expressed with regard to flow control and with regard to financing and other issues as well. I wonder, through the county of Lanark, if you've debated any of these other questions.

Mr McEwen: The questions such as flow control and user-pay systems etc have certainly been addressed in a general fashion at the county level, and more specifically at the level of the local municipalities. I should also preface my comments by indicating the degree to which the county, as an upper-tier municipality, is involved in the field of waste management. It is twofold. As has been identified in the brief, we have been undertaking since 1987 a very extensive and very costly waste management master plan program, which is essentially a planning activity to determine where the county is going in the next 25 to 40 years.

The second component, which is equally as critical, is the county's involvement in recycling and also in promoting composting. Beyond that, the degree to which the county has had involvement directly in flow control and user-pay has been negligible to date.

Mr Hayes: Thank you for the presentation. For all the members, and for you mainly, the government is certainly willing to carry through with that amendment and your request, because it is more of a technical change that has to be made. My question to you is that once that is done, do you support the efforts of this bill, do you support this bill?

Mr McEwen: Very much so.

Mr Hayes: Any other comments about it?

Mr McEwen: I should also indicate that having served on a number of other committees related to my function at the county, other committees at the provincial level, including a committee of AMO, which reviewed the draft copy of Bill 7 in some detail, my comments were quite supportive at that time, aside from the material that I brought forward today.

Mr Hayes: Okay, very good. That wasn't a condition, but we do appreciate your support.

The Vice-Chair: The committee is glad to hear that. Any further questions from that side?

Mr Eddy: I'm pleased to hear Mr Hayes state that, because it was not clear from the letter.

Mr Hayes: Very open government.

Mr Eddy: It did state that although—what was it?—the ministry's legal and policy branches would

generally support it, it wasn't clear that the government would, and I'm pleased to hear that. It clears it up, because indeed I think when all the other acts that are listed, all of the regions and the county of Oxford and the district of Muskoka acts, are being amended, it's the appropriate time and place to do it.

Could I just ask, at the time the County of Lanark Act was passed—and that was a very progressive action, I must say—was there much opposition by local constituent municipalities at that time, and has that more or less disappeared, do you feel?

The Vice-Chair: I should say that there's some county experience talking.

Mr McEwen: I was about to preface my comments by indicating that there are undoubtedly elected officials around this table who are more familiar with the original discussions of what used to be known as Bill Pr78, far more so than I. Having said that, I am very much aware and very cognizant of some deep-seated hatred, to say the least, for the original bill.

Having said that, as the county proceeds with these amendments, as I have outlined for you today, I do not anticipate that any of that original hatred related to a land owner's opposition to a county official walking on his property is in any way, shape or form going to dissipate. Without sort of throwing humour into this

discussion, one of the issues that's always dealt with at the municipal level when county officials such as myself are the front line of defence, is whether or not the Ministry of Environment would be willing to issue us with Kevlar vests, since a number of us have already been shot at.

The Vice-Chair: Are you serious?

Mr McEwen: Yes. Having said that, I think it is recognized, certainly within the county of Lanark, that we had in 1989 a very progressive piece of legislation, and we now have the ability, with this committee's approval and with the approval of the Legislature, to further improve upon that original bill and finalize a very costly master plan process which is costing the taxpayers millions.

Mr Eddy: Good.

The Vice-Chair: Thank you very much for your presentation. I'm sure you're pleased to hear the response from the government side.

I understand that the two remaining presenters have cancelled. Unless there's any further question that you wish to bring up, we are adjourned until next Thursday, if the House is still sitting. This committee stands adjourned.

The committee adjourned at 1723.

Continued from overleaf

STANDING COMMITTEE ON GENERAL GOVERNMENT

Chair / Président: Brown, Michael A. (Algoma-Manitoulin L)

***Vice-Chair / Vice-Président:** Daigeler, Hans (Nepean L)

Arnott, Ted (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

***Fletcher, Derek (Guelph ND)**

***Grandmaître, Bernard (Ottawa East/-Est L)**

***Johnson, David (Don Mills PC)**

***Mammoliti, George (Yorkview ND)**

Morrow, Mark (Wentworth East/-Est ND)

Sorbara, Gregory S. (York Centre L)

Wessinger, Paul (Simcoe Centre ND)

***White, Drummond (Durham Centre ND)**

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Eddy, Ron (Brant-Haldimand L) for Mr Grandmaître

Fawcett, Joan M. (Northumberland L) for Mr Brown

Hayes, Pat (Essex-Kent ND) for Mr Morrow

Lessard, Wayne (Windsor-Walkerville ND) for Mr Dadamo

North, Peter (Elgin ND) for Mr Dadamo

Tilson, David (Dufferin-Peel PC) for Mr Arnott

Wiseman, Jim (Durham West/-Ouest ND) for Mr Wessinger

Also taking part / Autres participants et participantes:

Arnott, Ted (Wellington PC)

Callahan, Robert V. (Brampton South/-Sud L)

Caplan, Elinor (Oriole L)

Kwinter, Monte (Wilson Heights L)

Lessard, Wayne (Windsor-Walkerville ND)

Perruzza, Anthony (Downsview ND)

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Luski, Lorraine, research officer, Legislative Research Service

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Third Session, 35th Parliament

Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 15 July 1993

Journal des débats (Hansard)

Jeudi 15 juillet 1993

**Standing committee on
general government**

**Comité permanent des
affaires gouvernementales**

Municipal Statute Law
Amendment Act, 1993

Loi de 1993 modifiant des lois
relatives aux municipalités



Chair: Michael A. Brown
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 15 July 1993

The committee met at 1003 in committee room 1.

MUNICIPAL STATUTE LAW
AMENDMENT ACT, 1993

LOI DE 1993 MODIFIANT DES LOIS
RELATIVES AUX MUNICIPALITÉS

Consideration of Bill 7. An Act to amend certain Acts related to Municipalities concerning Waste Management / Loi modifiant certaines lois relatives aux municipalités en ce qui concerne la gestion des déchets.

The Acting Chair (Mr Monte Kwinter): Good morning. Can we call the standing committee on general government to order. The committee is dealing with Bill 7, An Act to amend certain Acts related to Municipalities concerning Waste Management. The presenters will have 20 minutes. You may use 10 minutes for your presentation to have questions or any part that you want.

COUNTY OF VICTORIA

Mrs Sharon McCrae: Thank you very much, Mr Chairman. My name is Sharon McCrae and I'm the warden of the county of Victoria. I'm here to speak in support of certain of the concepts of Bill 7 as they affect county government and our ability to manage waste materials effectively and efficiently. I am, however, also here to speak to a significant shortfall in the draft legislation, as it fails to address the question of assets and liabilities reconciliation.

Victoria county is one of the province's upper-tier municipalities which has utilized Bill 201, now part of clause 209(9)(a) of the Municipal Act, to assume certain waste management responsibilities from its member municipalities.

In brief, the county has passed bylaws under this authority to, first of all, clarify that all member municipalities are a party to our waste management master plan; secondly, to take for the county the right to comment on new waste management facilities that may be created within the county of Victoria; and lastly, the assumption of authority and responsibility for municipal waste disposal as of January 1, 1992, for all of the county of Victoria.

This last bylaw, in our minds, gave the county ownership and operating authority over some 16 open municipal landfill sites and the obligation to provide for the disposal of household waste for Victoria county residents.

At this time, the county has endorsed in principle the complete assumption of waste management responsibilities, subject to further reports, inclusive of cost estimates and resolution of questions relating to provincial expectations regarding diversion targets.

Bill 7 very properly provides power to establish user fees for all aspects of waste management. While the county appreciates these enhanced powers, your committee and the provincial government should not lose sight of the fact that rural Ontario lags behind the urban areas of the province in terms of our waste management practices and in terms of our ability to pay. I hope this new power to charge a fee for service or impose a form of "sweat equity" on our ratepayers is not a signal that the MOEE grants to rural Ontario for new or better waste management facilities will disappear.

Rural Ontario is still attempting to control pollution, while urban Ontario, through extensive diversion, is attempting to prevent pollution. Provincial funding for low-population-density waste management units will need to be continued to prevent and/or control pollution in all of Ontario.

I would also like to take this opportunity to express the county of Victoria's support and appreciation for those provisions of Bill 7 that streamline the ability of a municipality to enter on to private land in the course of an environmental assessment investigation of alternatives.

The transfer of waste management authority is a rare example of jurisdictional change between municipal tiers with a compensation clause. That clause, we suppose, is intended to reward those area residents who through either good management, planning or timing have an asset such as a landfill capacity or more modern equipment on the date of transfer that is greater than the average assets of the other municipalities. It does, however, create significant problems for county governments and must be clarified into a workable system that does not depend on the courts, with opposing lawyers and accountants.

The process that was created to resolve the issue is inappropriate for an upper-tier municipality dealing with its constituent parts on a case-by-case basis. All deals are subject to scrutiny by other potential deal makers and are therefore constrained by the need to negotiate similar arrangements with all member municipalities, in spite of dissimilar situations.

Victoria county has attempted to simplify this issue by suggesting a \$6-per-tonne credit for usable space, based on an estimate of the cost of greenfield site acquisition costs, and a \$2-per-tonne debit, based on conservative estimates for no problem in closure costs of the larger sites, for household waste placed in the landfill site in the last 20 years as of the date of transfer. Only if endorsed unanimously will our process

work. A single objection could nullify the whole arrangement and all the time it's taken to come to that stage. In our case, we have a member municipality that sent us a lawyer's letter indicting that \$75.866 million was the price of its 24-hectare landfill, which is licensed to serve only its municipality. We feel they vastly overstated the number of the available variables. However, in other jurisdictions OMB decisions on worth have been made on cash flow analysis. We feel this is wrong and will continue to be wrong under a user-fee system that expects disposal tipping fees to generate revenue for more than landfill operational costs. Neither tier of municipal government can win in these disputes.

1010

We strongly recommend that legislation and/or regulations be introduced that would endorse the county approach, inclusive of setting the rate to be used, with worth being based on the total estimated cost of the creation of a greenfield capacity or tonnage and liability being based on estimates for the average cost of remediation per tonne, on a site-specific, upper-tier basis.

Failing the imposition of a mandated solution as described above, we suggest that compensation should be based solely on the decision of the upper-tier council following a majority vote.

In conclusion, certainly we are here in support of Bill 7 and what it will do for us in the waste management field, but we do feel there were some areas that could be enhanced. We're looking forward to seeing some legislation that will help us in this movement of waste within municipalities within our own county.

Mr Bernard Grandmaître (Ottawa East): On the user fee question, you're very concerned that if user fees are permitted, your grants from this government will be diminished to sort of compensate for your profits, I guess, if we can call them profits; I don't think there will be any profits. What assurance or what conversations have you had with the ministry that the government will do this if user fees are used?

Mrs McCrae: I'm not sure we have any assurances that any grants are going to be available in the future, so certainly we're looking at what the taxpayers in the county can bear as far as costs for waste management. We recognize it as a need, but the difficulty is that with a smaller population base the targets the government is setting are sometimes difficult to achieve in a rural area.

Mr Grandmaître: What are your thoughts on user fees?

Mrs McCrae: I think user fees are a deterrent for people to overuse the waste system. By and large, people are sometimes unaware of how much they are creating and a little extra reminder by tipping fees being based on per-bag rates, I think, will give them that kind of deterrent to go towards a better understanding of the waste stream and diversion targets.

Mr Grandmaître: Because user fees can be used, especially in rural Ontario, do you think people will take advantage of this municipal bylaw, or this imposed law by the government, to get rid of their waste in another way instead of tagging it and you're going to find it along rural roads or whatever?

Mrs McCrae: Yes, you're right, that's true. We are finding that the user system is creating that problem.

Mr Grandmaître: What's your experience now?

Mrs McCrae: We're finding that many of the 16 landfill sites that were taken over at the time of the bylaw in 1992 did not have a user fee system in place for either ICI garbage or household garbage. Unfortunately, they were just doing it on a basis of the taxpayer paying, but they weren't meeting the targets that were projected from the ministry level. I think we've improved on our system, but the difficulty is that it's also very expensive to set up diversion-target methodologies in the rural area because of the fact that you might go down a road that's five miles long and see three or four houses, and that's a lot of miles to travel.

I think the user fee system will also create the problem of garbage on these roadsides and we've certainly had a lot of that since we've instituted user fees, tipping fees, where there were none before. But I think it's a case of education of the public as well that they're basically causing themselves a double load if they're going to dump it on the side of the road in anybody's municipality, because it has to be picked up by somebody.

Mr David Johnson (Don Mills): Warden, I'm trying to understand the problem over the last page and a half that you've described here. Is it basically that the county has assumed some 16 sites, and these are spread through the constituent municipalities, and you're trying to create an arrangement with them, because they had the authority before and now you've taken over the authority from them?

Mrs McCrae: In the assumption of the authority, we were obligated to set up a system of assets and liabilities in compensation to the municipality for the asset that it had and the liability that we were assuming, and we struck a measurement of \$6 per tonne and \$2 per tonne.

Mr David Johnson: The \$6 is if there's space that's open and in a sense the county would be using that space?

Mrs McCrae: That's right.

Mr David Johnson: The \$2 is if they're putting garbage somewhere else, is it, or what's the \$2?

Mrs McCrae: That's for the garbage already in the ground, yes. That's the space that was already used up.

Mr David Johnson: It's already used, so they get a credit for that.

Mrs McCrae: A credit, yes.

But the difficulty we've run into is that very few municipalities are willing to sign off the assets and liability agreement, and yet we've been managing the garbage for them, the waste for them, for a full year. They won't sign the agreements because they're afraid that municipality X is going to get a better deal than municipality Y, and so everybody's fighting to see who's going to make the best deal and then they're going to fall in line. If it was universal across the county then we wouldn't have that pulling and tugging. There are already enough reasons for pulling and tugging in a small municipality without having this added to it. So we're looking forward to some way of resolving that issue.

Mr David Johnson: This is a new one on me. Are you suggesting there's some clause in Bill 7 that could address this situation or be helpful?

Mrs McCrae: Certainly, that was the understanding that Bill 7 was going to be helpful in that area. I would ask Wes Abbott, who's our waste management engineer, to answer that more technical question.

Mr Wesley Abbott: When they had the public consultation period a year and a half ago, when they went out to municipalities and asked what powers the municipalities wanted, we at that time spoke to the people who went around and asked for those powers to sort of internally resolve our assets and liabilities. It wasn't included and we're just here reminding them that maybe some day it would be nice.

Mr David Johnson: So you're hoping that it will be included.

Mr Abbott: Yes. We see a real problem with the willing buyer, willing seller model in a situation where waste management is essentially a monopoly, not a free-enterprise situation. We have townships coming to us expecting large sums of money because they see huge tipping fees and say it's a profit, but essentially all that revenue is needed to pay for our household hazardous waste days, our composting etc.

Mr David Johnson: So this is really your number one problem then, I guess, is it?

Mrs McCrae: That one and the question of service areas, but that's not addressed in Bill 7 either. It wouldn't be fair to bring it up.

Mr David Johnson: You mentioned your concern with regard to ongoing provincial monetary support. That's a question I've raised a couple of times and haven't really had an answer to it. What is your hope or expectation in terms of ongoing provincial monetary support in this whole issue?

Mrs McCrae: I would think initially Wes may have to answer the more technical side of this, but the difficulty we're concerned with is that the provincial targets that are set for diversion, for instance, at 50% by

a certain year and so on, may be difficult to achieve in a rural area with the kinds of dollars that we have available as resources, because we don't even have the industrial tipping fees we were anticipating when we took over the landfill sites. Those industries in rural areas are few and far between, and certainly with the economy the way it is, that's dropped off significantly.

Mr David Johnson: If it's any consolation, in the urban areas it's going to be very difficult too. In Metropolitan Toronto, they estimate that they'll need material recovery facilities, that they'll need huge composting plants, and these are going to cost millions and millions of dollars. My guess is that in the rural areas you would need the equivalent of these kinds of facilities. The question is, where is the money going to come from to pay for them?

Mrs McCrae: Well, I think there's a natural resistance to any new facility coming in, even if it is going to help the waste diversion that we've targeted.

Mr Abbott: I was going to say that we see user fees as a good way of raising a lot of the money in rural Ontario to pay for some of these costs, but there's a limit in rural Ontario as to how much we can charge before it ends up on the roadside. We feel that we still need some grant support in order to keep user fees at a level where we don't drive people to do illegal acts by dumping waste on the road.

1020

Mr Pat Hayes (Essex-Kent): Have you seen the draft service area regulations from MOEE that were circulated to—

Mrs McCrae: The staff may have but I haven't.

Mr Hayes: Okay. Can I get your opinion on that? Would that address some of your concerns?

Mr Abbott: Yes, we have seen it, and it would address a lot of our concerns and allow the county to do what it originally intended to do about solving some short-term problems with regard to municipalities that are quickly running out of capacity.

Mr Hayes: So that would give you a better tool to control the waste, the service area, then, would it?

Mr Abbott: Yes, it would allow some municipalities that are running out of capacity to use their neighbour's landfill without a lot of expense and unnecessary hearings under the Environmental Protection Act.

Mr Hayes: If the county assumes the authority on the 3Rs, would you look on user fees as favourable as long as they are fair?

Mrs McCrae: As long as they're fair. That goes without saying. I don't know, an interpretation of "fair" is sometimes questionable.

Mr Hayes: That's a control, though, that you would have yourself.

Mrs McCrae: That's right.

Mr Jim Wiseman (Durham West): You say you have 16 landfills. How much capacity is in these landfills? How much have you got available?

Mrs McCrae: We have a considerable amount available in the present landfill, but of course it's only available at the moment to the municipality that's named in the service area. We have one municipality with 1.5 million tonnes of capacity, but we don't know whether or not in fact it could be shut down tomorrow. That kind of question in anyone's mind is always there. I mean, 16 landfill sites are valuable only if they're open and they can be used on a regular basis. But right at the moment we have some difficulty in some municipalities. We have three, I think, that are on an emergency certificate.

Mr Wiseman: We could go down the road there, but I don't want to.

Mr Grandmaitre: Go on.

Mr Wiseman: The cost per tonne: Previous to that you used to tip for free? You would just be able to bring your waste in and dump it and now you have to pay per tonne?

Mrs McCrae: In many municipalities, it was part of the tax burden to have the ability to take your bags of waste to the landfill site, and some of them were open 24 hours a day, seven days a week. With the assumption of the power, the county tried to make it a more equitable system and we instituted tipping fees.

In some municipalities, particularly in the urban area of the town of Lindsay, there were tipping fees inasmuch as they had a tipping fee for ICI. Up to five bags were free for the household waste and after that then there was a fee. There were some rudimentary fees, but they weren't equitable across the county. Perhaps Wes could give you a more detailed analysis of that.

Mr Abbott: Most municipalities had no tipping fees. Some had small tipping fees. When the county took over, we instituted a tipping fee which was essentially a \$70 per tonne universal fee, with small exceptions for small residential users.

Mr Wiseman: Have you established—

The Acting Chair: I'm sorry, Mr Wiseman, that's all the time. Thank you very much.

ONTARIO MULTI-MATERIAL RECYCLING INC

The Acting Chair: We now have the OMMRI corporation in support of recycling, Mr Bob Flemington.

Mr Bob Flemington: Thank you for giving me the opportunity to address you. My name is Bob Flemington. I'm the president and CEO of OMMRI corporation in support of recycling.

OMMRI, if you're not familiar with us, is the industry funding organization which helped bear the burden of cost in terms of the blue box recycling program in Ontario and bringing to the attention of industry the

need to support this initiative and to change its habits in terms of how it produces and markets its products.

Essentially, I would characterize what we're doing in this province, both as a cooperative venture by government in terms of legislation and by industry in terms of their actions and the public in general, as to convert the waste management system we have in place, which is primarily a disposal-based system, to one that concentrates on resource recovery while still responsibly dealing with those things that must be disposed of.

That's an activity that isn't going to be done by legislation alone nor by public demand alone nor by industry alone, but by a cooperative effort among all three of those components in order to ensure that everyone is moving in the same direction and in agreement with the direction we're going in.

I think certainly the experience of developing the blue box to date in Ontario has been unique, indeed in the world, in terms of achieving that kind of cooperation. I would hope that as we move into a more regulated, legislated approach, that level of cooperation doesn't diminish but in fact is enhanced by regulations and legislation such as Bill 7 and its forerunner, Bill 143.

Certainly, the blue box itself in Ontario, as I said, has been an unprecedented success to date and has a lot more things that can be done with it. It's raised the consciousness, the environmental awareness of the public that they individually can make a personal contribution to waste reduction, both in how they deal with their products once they get home and put them in the blue box, but also in judicious purchase patterns on their part, knowing what goes into the blue box and what is and isn't recycled.

Secondly, I think the blue box has been a significant player in achieving the government's targets of 25% waste diversion by 1992, and I look forward to it being a major element in achieving the 50% target by the year 2000.

A hidden benefit and certainly one that is dynamic and continues to be dynamic is the impact it's had on industry and the members of OMMRI in terms of changing how they deal with their packaging and taking a more responsible role in terms of stewarding those packages through the system. It's provided a forum through OMMRI for those members to get together and talk about means by which they're going to reduce, reuse and recycle.

I'm here basically in support of Bill 7, and I'd like to tell you why. My sense is that Bill 143 helped to set the stage for this conversion I talked about in terms of the waste management system to one that concentrates on resource recovery. It builds in a lot of the mechanisms to do that. We built the blue box system based on municipal cooperation. A lot of what municipalities have been doing has not been formalized in terms of

giving them the powers and the roles and responsibilities to do that. Bill 7 is an attempt to achieve or to catch up with what municipalities are already doing in many of these fields.

It certainly also signals an intent on the part of the government to create a level playing field with respect to industry and industry's funding and involvement in the process. Bill 7 doesn't do that specifically, but it's one more step towards a full system that will involve industry with a level playing field with all industries playing their role.

The second thing it does in Bill 7 is give municipalities the powers that relate to markets and marketing of materials. Certainly, it's important to note that here in Ontario, unlike some other jurisdictions even in Canada and around the world, we've been able to cope with the supply-demand balance of materials coming through the recycling system by ensuring that we had cooperation between municipalities and industry and the provincial government.

This legislation, Bill 7, gives the municipalities the power that most of them are already using, and that is to market materials and to work with industry to ensure that these materials are captured and go to a recycling market. Here in Ontario, we haven't sent any of the recycling materials to landfill. I think we can all be proud of that because I think we all worked to ensure that this has happened and that we continue to balance that supply and demand of materials in the system.

Bill 7 also gives municipalities the responsibility and the power to educate the public on a lot of these issues. Again, OMMRI at the front end was financing and continues to finance the educational component for municipalities in introducing the blue box and municipalities have been the key spokesperson to their constituency to do that, and I think it's appropriate that they continue that initiative.

The issue of user fees: Obviously, the more you can identify to the public that there is a cost to waste management and that the products they buy and put into either the blue box or the waste system have a cost burden associated with them, the better. I think that's a good public education technique. How it's applied is going to be tricky, and I think Bill 7 has left enough latitude for municipalities to deal with that, each in its own way.

1030

The long-term success of converting a waste management system to a resource recovery system really depends very much on integrating our recycling system and our other waste management initiatives in reduction and reuse with our disposal systems. What I mean by that is, it seems ridiculous to be sending a recycling truck around to the curbs separate, with a separate crew, from the waste collection truck. It had to be done incrementally. We had to grow the system piece by

piece and step by step, and we've done that, but it's time to start to look aggressively at finding ways to rationalize the cost by putting those two systems together in a form that keeps uncontaminated materials coming through the recycling system but minimizes the cost of collecting and processing those materials.

I think that's the next wave. The next wave is to say, "Let's treat resource recovery as responsibly as we have waste removal and waste management, and let's make it an integral part of the system so that we can reduce the cost of both systems."

Certainly the provisions for moving the initiative to upper-tier government make sense from the perspective of the blue box program, specifically because once the materials are collected and taken back to a processing centre, that processing centre tends to be better centred at the upper-tier level. In the areas where you have a county and a lot of municipalities that are all trying to achieve the same objective in terms of waste reduction and collection of recyclable materials, for example, in the Bluewater Recycling Association programs around Sarnia in the Grand Bend area, you need to have that cooperation of all those municipalities together to make the program work in the processing and marketing side of the system. Concentrating on upper tier, the system was tending to move towards that at any rate, in terms of processing and marketing materials, so I think the initiative makes sense again in that regard.

As I said, OMMRI supports Bill 7. We think it's one more step in the process of this conversion. The step that's still missing is the level playing field, the need for all industries to pay and all industries to play. We need some regulation to do that. That's under Bill 143, it's not under Bill 7, but it is the key element that is now still missing in the process of achieving that cooperation of all the partners in the process of diverting our waste system. I would encourage the government to take that next step, the last step after Bill 7, to secure the financial underpinnings of the blue box system and the waste management system that converts to resource recovery.

Mr David Johnson: Let's maybe pick up on that point, Bob, because over the years I guess we've talked about funding a little bit. Your industry has been primarily involved in the funding of the capital, on the capital side, and has put a lot of money, certainly, into the blue box program, the trucks and various facilities, but there's a lot of money that's going to be required in the future.

We've had discussions around here through this committee about what sort of funding. It comes up over and over again with every deputation. If you look into your crystal ball, what do you see? What sort of partnership, what sort of percentages do you see in terms of funding of the—I'm looking at the capital side of the recycling process: the blue boxes, the trucks, the

facilities, maybe the MRFs, that sort of thing, the compost plants. What formula do you see involved: industry, provincial government, municipal governments, user fees? How do you see that working?

Mr Flemington: The original concept was that industry would help out on one third of the cost of the capital of launching the blue box program, and that was the initial step, and at the time, as I said, incrementally developing the system. That was the logical step.

Now that the system is in place, we've got 80% of all of the households in Ontario serviced with a blue box or equivalent kind of system for recycling. Now we have to look at how we're going to operate the system. "Operations," in my view, includes replacement capital. The system, from my perspective, is essentially capitalized in terms of its initial trucks, boxes and processing centres. What needs now to be done is to operate the system. From my perspective, the next round is an operating issue. We have to expand the number of materials in the box and we have to operate that system with, primarily, a municipal-lead focus because they are municipally based programs.

In terms of the cost of that program or the formula by which one might identify how the costs should be borne, it seems reasonable that there be some recognition that recycling contributes to waste diversion; that is, that there is a cost savings on the part of the system to not having to dispose of those materials. So there is a municipal contribution, from my perspective, that needs to be part of that equation.

The formula needs to involve an industry contribution in some form. There needs to be a recognition that revenues come from the materials, which is, in a sense, part of that industry contribution if you look on it that way, but I tend to separate it out as an element in the formula.

If you look at that formula, it would make sense to say, "What is a reasonable amount of money that would have been saved by not disposing of those products?" and call that the municipal share, and then find a way to finance the balance, and I would see that financed by user fees. I see user fees as a mechanism by which municipalities pay their share.

I then see industry stepping forward with programs like the stewardship program that the Grocery Products Manufacturers of Canada and the Canadian Council of Grocery Distributors have brought forward to the government—I know you've had a deposition on that already—and the one that soft drink manufacturers are already administering through OMMRI by paying top-ups for their fair share cost of municipalities dealing with soft drink. I think that needs to be expanded beyond those grocery products and soft drinks into many other products. That's the essence of the level playing field regulation I was talking about.

Mr David Johnson: Do you see OMMRI as a continuing funder?

Mr Flemington: I certainly hope so. My sense is that OMMRI is a vehicle by which we can roll out the system. We can accumulate industry funding and then properly administer that funding into the system.

Mr David Johnson: We're talking about one third, one third and one third again, then? Perhaps one third OMMRI, one third municipal—you haven't mentioned provincial in here either.

Mr Flemington: I don't see a similar formula to the way we did capital in the past. My sense is that we need a formula that reflects, ultimately, the true cost of handling a specific element through the system.

That's going to take a little time in terms of transition, but I think it's important that the individual elements, packaging element or newspaper or whatever, that are going through the system in fact attract a true externalized cost of that product. If it's good for the system, it will encourage its adoption; if it's bad for the system, it will encourage it to modify itself in order to be good for the system.

When you start to differentiate costs, it's very complicated, and I see the role of OMMRI as helping to do that internally within industry to differentiate the levies among industries.

But I don't see a one-third, one-third, one-third kind of an approach to this. I think we need to look at what is the true cost of disposal and what savings the municipalities have by not landfilling and then industry looking at what is the true cost of recycling those materials after revenue from the materials.

I think it's an altogether different formula.

Mr Wiseman: You said you have not sent any materials to landfill, but we constantly hear people in their infinite wisdom, like Gary Herrema and Mel Lastman, indicating that in fact lots of material goes to the landfill sites, and it's stockpiled all over southern Ontario just waiting to be dumped.

Mr Flemington: It's an interesting concept. You might have noticed that Mel has stopped saying that because he now has the facts, and I've been giving him the facts since the beginning.

Mr Wiseman: Gary Herrema has not.

Mr Flemington: No, and I think it's a way of drawing attention to the issue. I once was arguing at a committee meeting with Howard Moscoe and I said, "You know, you're wrong." And he said, "I have a right to be wrong." I said, "Not always."

Mr Grandmaitre: So he's always right.

Mr Flemington: And not always wrong.

My sense is that I think in this case it's misinformation. That is not true. There are no warehouses full of materials. Any stockpiles of materials are waiting for

accumulation of volumes large enough to market. There have been no materials going to landfill other than contaminated materials that were just not collected and processed properly.

Mr Wiseman: That leads me to my next question. The next question is contamination. I have maintained in the beginning that certain municipalities, Metropolitan Toronto being one, have designed their systems to fail and that they don't really want to do the recycling because they make money out of tipping into Brock West and Keele Valley at such rates that it subsidizes other programs in Metropolitan Toronto to the detriment of those communities.

1040

My question is that given that they have the blue box program and that the material is sorted at the curb and then all dumped together into the truck when it is being picked up, wouldn't that indicate sort of a dinosaur approach to recycling and add huge costs to a system that needn't be there?

Mr Flemington: Actually, it's the opposite, and it's what I mean by integration in the system. Sorting at the curb is a very expensive process. Sorting in the processing centre is far more cost-effective, so ultimately commingled collection makes sense, like the city of Toronto is doing in the packer.

Mr Wiseman: But they wind up sending an awful lot of contaminated glass at low tonnage costs to Consumers Glass.

Mr Flemington: Yes, and this is a processing problem, not a functional problem in the blue box system. It doesn't have to be that way. I guess what I'm pointing out is that we can, I think, engineer a system that does effectively collect commingled materials in a truck that collects those things both for landfill and for the recycling centre, if we put our minds to it and really deal with the issues.

I think it's back to what you're saying: The key here is that we haven't really attempted to integrate the recycling system into the waste management system. I don't subscribe to any kind of a sinister plot on the part of either city of Toronto or Metro to scupper the system by putting in something that doesn't work. I think it's really a function of it being baby steps at the front end. You had to introduce the concept first, have people buy into it, have municipalities accept the fact that it is a reasonable thing to do and can be done at reasonable cost and that it is the right thing to do.

I think we've crossed that bridge. I think we're finally there. I think the public has said: "I want my blue box. I want recycling no matter what, and if it costs me more, I'm willing to live with that." I think we've passed that point, but we had to do some of those halting steps to get there.

So Metro said: "Yes, we need four processing

centres. Let's build one to start." When you build one to start and then the city of Toronto collects it all on Wednesday and dumps it on the tarmac, you get contamination problems. But that doesn't mean that either their intent wasn't right or that the system doesn't work. It just means we're on the road to the right direction.

Mr Wiseman: I guess I'm just a tad bit more cynical, coming from Pickering and the incompetent administration of Brock West and its own engineers condemning it for its inefficiency and its lack of concern.

I have one last question and it has to deal with the cost. There are some materials that we'll be able to collect in the blue box program that we'll be able to sell in the marketplace, and we'll be able to command a price higher than the raw materials needed. But there is a large number of products that will consistently not command a price in the marketplace to be recycled and be sold.

To me, that seems like that's going to be a detriment. If we're going to really make this integrated system work, we've got to find some way of making sure all the products that are capable of being reused are reused, and that the price is not an inhibiting factor in that. So that means always having the price of the recycled material lower than it would cost to use natural material. How do we achieve this kind of goal?

Mr Flemington: My sense is that using the price of recycling materials as the market mechanism to make this work is not necessarily the answer, particularly not the answer while we're incrementally growing the system. We're going to have cost-inefficiency in the system until it's integrated, so my sense is that we need a bridge that identifies those costs to individual—let's pick a product—let's say boxboard in the system or film plastic in the system, and have them bear that cost until such time as they've created the markets, generated the price mechanisms etc.

So market development is part of the issue, but I don't think it's the answer today in terms of how to finance the system. I think we need subsidies, as we have had from industry through OMMRI. I think we need to expand those into the operating side of the equation. I think there are signals from certainly soft drink and the GPMC within OMMRI that this is what they're willing to do. I think it's the right direction to go.

Ultimately, I still am convinced that the system can carry itself, but it's going to take some time and it's going to take a lot of cooperation between industry and basically municipal governments in terms of running these programs and operating them properly. Frankly, I'm anxious to get on with that. I think we've been treading water for a good deal of time now. It's time to get off dead centre and start to move forward.

Mr Grandmâitre: I agree with you that the blue box program has been a tremendous success in the province of Ontario, and also with the cooperation of municipalities and the provincial government to get involved in the blue box program. The main responsibility was to achieve the 25% by the year 1992.

Being in the resource recovery business, I read an article just a few weeks ago that the 50% objective or target by the year 2000 will be practically impossible to achieve if the provincial government gets out of its grants program. Do you agree with this or not?

Mr Flemington: I don't think it's tied to the grants program per se. I think you've got to fund it in some way. Certainly you don't want to have a system that just downloads on to municipalities and say, "It's your problem; you have to pay."

I think we have to find an appropriate cost-sharing formula that doesn't do that, because the bottom line, if you lose the cooperation of the municipalities, if they don't do things in good faith, if they don't move forward to integrate the system, for example, it isn't going to work and you're not going to reach that 50% target. So my sense is you have to balance the legislation in a way that corrals everybody in a cooperative mode but doesn't hamstring them in such a way that they can't negotiate and cooperate among themselves.

I think provincial funding may be a bridge to go from here to when it's fully funded by both municipalities and industry. That's part of a negotiating process of figuring out where does the money come from, who pays, how much and what's equitable, but my sense is that level of negotiation hasn't even begun in that regard. I think that's what I'm talking about in terms of a level playing field.

We need to sit down and talk about it. I think there's a role for the provincial government as a coordinator and an initial funder, as has been the case for municipalities, because they basically have essentially the waste management responsibility, and for industry, because consumers are buying their products and putting them into the system. We need to get on with that.

The Acting Chair: Thank you very much.

PICKERING AJAX CITIZENS
TOGETHER FOR THE ENVIRONMENT

The Acting Chair: The next presenters are not here, so we're moving on to Pickering Ajax Citizens Together for the Environment. Could you please identify yourself for Hansard and then you may begin.

Mr Lloyd Thomas: Good morning. My name is Lloyd Thomas and I'm chairman of PACT, Pickering Ajax Citizens Together for the Environment. What I'd like to do today is give you just a quick overview of who PACT is, what we've been involved in, give you a general overview of our thoughts on the act and then give you some specific comments on it.

Pickering Ajax Citizens Together for the Environment is a citizens' group with a wide public membership that has been actively involved in environmental and waste management concerns in the regional municipality of Durham and specifically in the towns of Pickering and Ajax since the mid-1980s. PACT spearheaded the fight against the establishment of the P1 dump site in Whitevale which was proposed by the previous Liberal government.

Currently, for the past months PACT has been actively striving to change the Interim Waste Authority's undemocratic, closed, top-down, arrogant process into a democratic, open, bottom-up and responsive process which places environmental factors first.

PACT has been actively involved in all aspects of solid waste disposal in the region of Durham and as such has become a strong and authoritative voice on these issues.

PACT is a non-profit, registered corporation without share capital and has as its primary objectives the maximum reduction, reuse and recycling of waste and the safe and responsible landfill of waste.

PACT strongly supports legislative action that will in fact strengthen and increase the continuing success of reduction, reuse and recycling programs. Reduction of garbage is key to ending the enormous dumps that have become a nightmare for the people of Ontario. Reduction of garbage is key to ending the frustrating, costly and endless struggles by the people with governments to make the search for dump sites open, fair and democratic, with environmental concerns the only consideration in dump site locations rather than the processes currently being used by the IWA and its predecessor, the Solid Waste Interim Steering Committee.

1050

While in general PACT regards Bill 7 as a positive and constructive step towards achieving the objectives of greater reduction, reuse and recycling, it also has some serious concerns and questions about the bill. In addition, with today's recession and with other major reductions in transfer grants to municipalities, the government has an obligation to see that its fiscal policies don't sabotage and derail its critical and long-standing commitments to reduction, reuse and recycling. Municipalities must be given every incentive, including financial, to continue and increase the reduction, reuse and recycling programs they have undertaken.

Former Environment minister Jim Bradley began the blue box system in 1985. On March 10, 1989, Minister Bradley announced a diversion of 25% of waste from landfills and incineration by 1992 and a 50% reduction by the year 2000. Two years later, on February 21, 1991, Ruth Grier, Minister of the Environment, confirmed the goals established by Jim Bradley in 1989.

PACT strongly believes and has said so many times

that the target of 50% reduction in waste by the year 2000 is far too low. In a brief to Minister Grier dated October 10, 1990, PACT urged that the goal for waste reduction be set at 80% for the year 2000. Again in PACT's submission on Bill 143 in 1992, PACT urged higher recycling goals.

Increasing the daily reduction of all garbage by the highest possible percentage is the most environmentally sound, the most economical and the most efficient policy for everyone, people and governments, to pursue with determination and vigour.

In clauses 208.6(2)(c), (d) and (e), Bill 7 states that municipalities may provide incentives for ratepayers to increase the amount of waste that is recycled, reused, composted or reduced. That is excellent. Positive encouragement for every ratepayer and householder in the form of tax credits or rebates is the best incentive to get everyone involved in achieving the reduction targets. A system of tax credits will reinforce the need and provide an incentive to take part in all waste reduction initiatives and methods.

The province of Ontario must provide similar incentives and rewards for the municipalities. In this regard, PACT recommends: that a new line be introduced into the provincial and municipal budgets and that line be designated the "waste reduction grant"; that a basic, separate annual waste reduction grant be given to all municipalities in addition to all other provincial transfers; that the waste reduction grant be increased annually as the tonnage of garbage going to landfills or incineration is reduced and as the tonnage being recycled, reused and composted is increased.

In addition to the environmental wisdom and necessity of waste reduction, such waste reduction grants will provide a significant financial incentive to municipalities to achieve as high a provincial waste reduction target as possible each year.

At present, the soft drink industry contributes financially to the cost of the blue box recycling program. PACT recommends that any industry or business whose waste is collected in the blue box program must, along with the soft drink industry, help pay for the blue box program. Cannery, grocery manufacturers and distributors, supermarkets, newspaper publishers, wineries and distillers create waste. Each of these industries and businesses should gladly help to pay for the collection and marketing of the waste that they create and distribute daily.

On February 21, 1991, Ruth Grier, the Minister of the Environment, stated:

"I intend to develop an aggressive marketing strategy to encourage a strong and sustained demand for source-separated used materials. Market development is one of the most challenging aspects of our action plan."

More than two years have elapsed since that state-

ment. PACT recommends that the province immediately redouble its efforts to promote the marketing of recycled products and to assist actively municipalities in their marketing strategies. The provincial government has taken far too long to get its marketing strategies in place. Consequently, this has become a great source of frustration and has hurt the financial incentive to recycle. The more successful the marketing plans and strategies, the greater the revenue that municipalities will gain and the more economically advantageous recycling will become for all concerned.

I've got some specific concerns on Bill 7 now.

Section 208.1: Bill 7 defines "waste management system" as follows:

"'Waste management system' means facilities and services for the management of waste, including the collection, removal, transfer, processing, storage, reduction, reuse, recycling and disposal of the waste."

Section 25 of the Environmental Protection Act defines "waste management system" as follows:

"'Waste management system' means any facilities or equipment used in, and any operation carried out for, the management of waste, including the collection, handling, transportation, storage, processing or disposal of waste, and may include one or more waste disposal sites."

The question is, why are two different definitions of waste management required? Are there other definitions of waste management system in other acts? PACT recommends that there be one and only one definition of waste management system which includes and stresses the requirement for reduction, reuse, recycling and composting. The statute will therefore confirm that the inclusive definition of waste management system stresses the positive, constructive alternative to establishing dumps and incinerators in the total reduction of waste.

Section 208.2: PACT emphatically supports giving the municipalities the power to establish waste management systems that support and strengthen the reduction, reuse, recycling and composting of waste.

Section 208.3: PACT opposes any appeal to the OMB under this subsection. The decision of the local elected council should be final.

Section 208.5: PACT opposes user fees because they are negative and are regarded as punishment rather than an incentive. At all times ratepayers and householders must receive every positive encouragement to reduce, reuse, recycle and compost. In addition, PACT's experience has been that to evade higher fees at dump sites, some persons and businesses will dump their garbage on roadsides and in fields. In the next section we want to talk on some more positive recommendations in this regard.

Clause 208.6(2)(a): PACT strongly supports all

efforts to separate all recyclables and organics at the source. If the householder separates, it saves money and it makes the collection more efficient and less subject to contamination.

PACT regrets that section 208.6 doesn't have a subsection requiring the composting of kitchen and some yard waste. After all, 31.6% of all residential waste and 5% of industrial, commercial and institutional waste consists of kitchen and yard waste. Much more aggressive initiatives are required to increase the number of households that have backyard composters. PACT recommends that a subsection be added that requires dwellings with backyards to compost kitchen and some yard waste.

Clause 208.6(2)(b): Again, PACT opposes user fees.

Clauses 208.6(2)(c), (d) and (e): PACT supports all positive initiatives that encourage people to reduce garbage sent to dumps and to encourage reuse, recycling and composting. In addition, in section 4.1 of our brief PACT recommends a waste reduction grant—and I'll elaborate a bit on that—to the municipalities that increases annually as tonnage to the dumps and incinerators is reduced. As the tonnage is recycled, reused and composted, it is increased. PACT further recommends that as an incentive to householders to recycle the annual municipal tax rate be reduced by the amount of the annual increase to the waste reduction grant paid to the municipalities, regions and counties.

What we see is that right now, currently, municipalities receive tipping fees and royalties on garbage they produce. In effect, we're rewarding municipalities for dumping garbage. It should be the other way around, that as those tipping fees and royalties decrease, the amount of waste reduction grant increases, so it's an offsetting type of grant.

Sections 149 to 160: Subsection 160(2) states:

"On the 1st day of January, 1997, a regional council shall be deemed to have passed a bylaw under section 150 to assume the waste reduction powers from all of its area municipalities effective on that date."

In light of subsection 160(2), PACT cannot understand why this bill does not confer immediately all the waste powers given to the regions in sections 149 to 160 on the day Bill 7 becomes law. No matter what happens, the regions will have all the responsibilities of Bill 7 on January 2, 1997.

To avoid delays, duplication and unnecessary expenditures and to get on with this task, give the critical responsibility for the reduction of garbage and reuse and recycling and composting to the regions now. In addition, Bill 7 should make it clear that the area municipalities are responsible for such matters as source separation and collection and the region is responsible for everything else, including handling, storage, processing and marketing.

Clause 151(1)(c) states:

"The regional corporation may give its consent to a person or to a municipality, other than a participating area municipality, to provide such services or facilities, which consent may be given upon such terms, including the payment of compensation, as may be agreed upon."

1100

PACT strongly objects to the regional corporation being given the power to allow any municipality outside of Durham region to operate such services or facilities within Durham. PACT wants the council that is elected by the people of Durham to be directly responsible for the manner in which it handles waste reduction and waste disposal. PACT, and especially the people of Pickering, have suffered for 18 years under the management of Brock West by an outside municipality. No one who runs that dump is accountable to the people of Pickering. Enough is enough.

Subsection 152(1) states that:

"If consent is refused under subsection 151(1), or the applicant and the regional council fail to agree on the terms related to the consent, the applicant may appeal to the Municipal Board which shall hear and determine the matter."

PACT strongly objects to any appeal to the OMB under this section. If the elected council decides it does not want to give consent to the person or the municipality or cannot agree upon terms, that decision should be final.

Specific comments on part X, section 154: I think we made some comments earlier. I've got copies here. I'll leave these with you. See PACT's comments on section 151 in our brief. PACT supports agreements with persons and local area municipalities but not with any outside municipality.

Specific comments on Bill 7, the Regional Municipality of Durham Act: There are some questions here that we'd like to get some clarifications on.

What is the intent of Bill 7 in repealing clauses 36(5)(a) to (e) and subsection 36(13) of the Regional Municipality of Durham Act and replacing them by adding the new subsections (5.1), (5.2) and (5.3) in Bill 7? PACT seeks a full clarification so that it may comment further.

Do these clauses referred to above allow Durham to operate and derive revenue from the new dump to be established in Durham by the IWA? We need some clarification.

Subsection (5.1): Why is section 208.5 of the Municipal Act in Bill 7 omitted from subsection (5.1)? We need some clarification there.

Does this and other sections of Bill 7 give the region of Durham full power to own and operate every type of waste disposal facilities, including waste disposal sites and facilities for reduction, reuse and recycling and

composting, now and in the future?

Does Bill 7 take precedence over Bill 143? Please clarify the relationship between the two.

As stated in PACT's brief on Bill 143 dated January 22, 1992:

"PACT believes the responsibility for solid waste disposal should remain primarily with the regional municipalities. The regional municipalities must be required to fully and properly discharge their responsibilities under the provisions of the Environmental Assessment Act with public hearings and full open public participation at every stage."

On the Municipal Affairs Act: Does the classification of "a site for the disposal, transfer, reduction, reuse or recycling of waste" as a public utility mean that these sites will be subject to property taxes? If this is not the reason, what is the reason for that?

That's all I have. Thank you.

The Acting Chair: We have time for one question from each caucus and one minute each.

Mr Hayes: You mentioned that you were certainly not in favour of user fees. Of course there are some, and probably many, people who feel that this would be an incentive to reduce the amount of waste, but what alternative would you see to making it a successful program?

Mr Thomas: Coming from a rural area, we see that as a negative because we see a lot of dumping that's done on the roadsides now and in the ditches and in the fields. We see a lot of trucks pulling up at night, pulling in down deadend roads and that and just unloading everything in the area. We see that as very negative, to discourage people from going to the landfill and to discourage them from paying whatever cost it is. Lower tipping fees, maybe the rate; I'm not sure what the solution is.

Mr Hayes: Have you got something quick, Jim?

Mr Wiseman: I'd just like to thank Lloyd for coming. Again, PACT has done a thorough job and has raised a number of questions that I guess we're going to have to take out of Hansard and get back to you on some of them.

My quick question has to do with dumps. Do you think that dumps are going to go the way of dinosaurs, that we don't need them any more?

Mr Thomas: I can see that happening. I can see that disappearing. Eventually, you get to the point where you can make use of everything that is produced. You get so that packaging is down to an absolute minimum, that everything is reused, everything is recycled. I can see the actual end of dumps at some point in time.

Mr Grandmaitre: I was interested in your comments about municipal financial support and also even rewards to municipalities. Can you—

Mr Thomas: You have to reward the people to get them recycling, and if grants were given to the municipalities and if those grants were passed on through the people, through their municipal taxes, the incentive is there for the people to cut down their garbage as much as possible, to recycle as much as possible. So instead of rewarding them for taking garbage to the dumps, what you're doing is rewarding them for taking recycling to the recycling depots.

Mr Grandmaitre: I will keep my promise: one question only.

Mr David Johnson: I just wondered, in view of your comments about the Interim Waste Authority being closed and arrogant and that you were looking for a more open, fair and democratic process, and your comment that hopefully the target would be 80% rather than 50%, but the likelihood that it will stay at 50% and that landfills will be required and that the people of Durham have suffered over the years, would your group consider supporting an environmental assessment on the Adams mine site, which would be certainly removed from Durham, with the likely alternative being, if we don't look at all of the alternatives, Durham being quite likely a candidate for a landfill site in the future again?

Mr Thomas: We've always felt that every region should be responsible for its own garbage and it should look after it. The idea of sending the garbage somewhere else to dump on somebody else has never been a feeling that PACT has endorsed. We're doing that now. We're receiving Metro's garbage at Brock West, so they're in effect dumping on us, and it's not something that we have control over. When there are problems at Brock West, we have nobody we can go to who's accountable to the people, because it's all elected councillors who live in Metro. We have real concerns there, so we would never really endorse something like that.

The Acting Chair: Thank you. This committee stands recessed for 15 minutes.

The committee recessed from 1108 to 1122.

IT'S NOT GARBAGE COALITION

The Acting Chair: Our next presenter is It's Not Garbage Coalition. Please identify yourself for Hansard, and then begin.

Mr Brooke Bell: Good morning. My name is Brooke Bell, spokesperson for the It's Not Garbage Coalition. The It's Not Garbage Coalition is an informal but broadly based coalition of community, labour, business and environmental groups which have joined together to advocate the implementation of an aggressive campaign to reduce Metro Toronto's solid wastes. Our action agenda is supported by CUPE and the OWMA, ie, the public and the private sector organizations that manage Metro's wastes.

We believe that the largest proportion of materials in

the municipal solid waste stream of Metro Toronto can be diverted from disposal. Most of the materials that are currently being disposed of as waste can be reused, recycled and composted.

I've distributed, via the clerk, Mr Carrozza, briefs for eight members, one for each caucus and additional copies for those who requested it. That's all we could afford, as a non-profit organization. Can I confirm those are passed around?

Mr Hayes: Excuse me, is there is any reason the PA doesn't get a copy?

Mr David Johnson: There's a message there.

Mr Hayes: Is there a message there?

Mr Bell: There's no message there.

Mr Hayes: Oh, you're trying to reduce waste.

Mr Bell: I'll speak to you at the end. We're trying to reduce it, yes.

Mr Grandmaitre: They know you, Pat.

Mr Bell: If policy commitments to waste reduction are to be honoured, then Metro Toronto, under powers conferred by the province, should approve a waste reduction action plan or should approve a set of reduction, reuse and recycling plans based upon the following principles:

(1) Mandatory separation by all waste generators; (2) secure storage of used materials for which effective separation and recycling methods exist; (3) the allocation of funding to waste reduction initiatives that reflects the priority of these waste management strategies; (4) the creation of a waste reduction office that would exclusively be dedicated to implementing an ongoing program of waste reduction; and (5) the assistance and cooperation of community groups to establish environmentally sound sorting, recycling, storage and compost facilities.

The action agenda for waste reduction is a 3Rs approach to materials management and to programs which create community benefits. Reduce, reuse, recycle: We mean to signify by those 3Rs terms the diversion of materials and products from disposal facilities by source reduction, reuse or recycling.

Source reduction is any measure that reduces the consumption of materials or products and that minimizes the quantities of post-consumer materials that must be processed for reuse, recycling or waste disposal. Reuse denotes the return of used materials to productive use without treatment and without changing its form or use. The use of used materials as replacement for all or part of primary material in manufacturing best describes recycling. Lastly, leaf and yard material composting denotes the breakdown of organic material by aerobic decomposition using bacterial action and other micro-organisms for the production of stabilized compost fertilizer. With respect to creating com-

munity benefits from 3Rs, we believe developing reduce and reuse programs can qualitatively improve community-based businesses, neighbourhoods, schools and healthy activities. "Our economy, a subsystem of the finite and non-growing earth, must eventually adapt to a similar pattern of development," note Meadows and Meadows in *Beyond the Limits*. In sharp contrast, growth scenarios for the waste management sector show increases in its size, as well as dramatic increases in the production and therefore collection of non-sustainable materials.

On June 17, ministry staff introduced members to an environmental bill. I would encourage the committee to be mindful of that when reviewing the municipal powers. The bill will provide municipalities with powers to design and execute one of the largest and most successful pollution prevention programs in the world, namely, the Ontario waste reduction action plan. For other members, the provincial strategy for the waste crisis in the greater Toronto area may be your basis for seeking municipal powers, now an issue square in front of you.

Aside from broadening solid waste management achievements under powers in this bill, there are other programming areas for municipal governments. I know of one municipality which has reported it's reduced air pollution from the use of blue box materials in manufacturing. By substituting blue box materials for primary materials, that assists this government's environmental program in reaching federal CO₂ reduction goals.

Still, for other governments, local enterprise/small business development accompanied by new employment programs can be the basis for acquiring new municipal powers. In the paper *Local Jobs From Secondary Resources: 3Rs-based Community Economic Development*, there's a long list of reduce, reuse and recycling applications: green storefronts; reuse, repair and recycle stores; home composter distribution; midscale composter installation; public education on and promotion of waste reduction; bottle washing; tire reuse; white goods disassembly; construction demolition reuse centres; local waste exchange centres; compost sales.

Some of these initiatives would need cooperative ICI recycling collection, specific zoning for community-based collection or separation requirements for residential materials collection. New municipal powers extend important 3Rs powers, so municipalities can execute the parameters of their own program, region-specific.

With respect to amended sections of the Municipal Act (208.2 to 209), we strongly support the content of the bill. Without these amendments, the provincial strategy for action on the GTA waste crisis would fail. Note in particular the definition of "waste"; the definition of "waste management system"; note subsection 208.5(1); section 208.6; the definition for "waste management power," all of which establish an effective,

permissive power extended to municipalities.

We consider the amendment to the Regional Municipalities Act's definition of "waste" and the inclusion of waste reduction power both to be very positive in the bill. Lastly, we strongly support subsections 8(1) to (4) of the bill as well. Members from Metro and York will especially appreciate the importance of these amendments and urgency in their respective local councils for speedy waste reduction.

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I wanted to refer to one of the documents in your package that accompanies this statement. If you tab into the green dot, the document named "Resource Management Systems, an Alternative to Current Waste Management Systems, it is a new document released this March, endorsed by 16 groups broadly scattered across the province.

From its summary, these groups support the following points: "Our objective is to be a society in which we have the least possible negative effects on the natural environment, we maximize our use of used materials, we use only those raw materials that are necessary to fulfil our needs, and we share our resources with each other."

Note this next point: "We should immediately set targets of 85% diversion of used materials from disposal by the year 2000 and 98% diversion by the year 2010.... A major step that must be taken to move us forward is to replace municipal waste management master plans with municipal official used materials plans," or a variation thereof. These plans should focus on making the best possible use of used materials."

I'll move on to the last piece in your package, and that is the first eight pages of a report released April 1993, Blue Box 2000. I want to illustrate to the committee some innovative and forward-looking policy and programming areas to underline the importance of strong 3Rs policy or permissive powers at the provincial level.

The centre and South Hastings waste management program, also known as the Quinte regional recycling program, has been very successful since their introduction in 1991. I'm going to read a couple of points from pages 2 and 3 that's in the accompanying package.

"The Quinte regional recycling launched the Blue Box 2000 recycling program to demonstrate how a traditional blue box program can be expanded to its maximum potential." Further down, "(1) There's no single method or technology to reduce residential solid waste." Another point, "People are willing to participate in a pre-collection sort of recyclables. (7) "Cost per tonne declines with economies of scale." (9) "It is more efficient to sort some materials at the curb than at the processing facility." (10) "There's a synergistic effect in waste diversion."

Further: "Public involvement, so essential in a source-separated, multistream system is reinforced through all the programs. The cumulative results of personal efforts become readily apparent and give the diversion system credibility and reinforces the system of an integrated program." (11) "There are community spinoff benefits of the system. A multistream source separation system is a labour-intensive program. Over 30 people work on the collection processing program, while several others are employed in coordinating roles, compost manufacturing and distribution, and separating textiles at a training centre for the severely employment disadvantaged."

This program largely compartmentalizes residential waste into a single vehicle and it's one of the most forward-looking programs, I think, in Ontario. It's something that the Metro and York regions should look to quite closely or carefully.

I want to resume, back on my statement on page 4. In regard to strengthening planning for 3Rs, the coalition is recommending that the committee make waste reduction policies requirements in official plans.

Municipal plans or their equivalents should be amended to (1) incorporate by reference the waste reduction policies set out in a municipality's waste reduction bylaw; (2) provide that the use and development of land within the municipality occur in a manner that promotes the realization of all practical waste reduction opportunities; and (3) set appropriate policies to guide the development and selection of sites for various types of recycling facilities.

In conclusion, the municipal powers in Bill 7 are important and very much needed for waste reduction, other related environmental programs, the development of new, small enterprises/businesses and the greening of communities. Keeping the sections related to integrated municipal planning and planning for wastes, including industrial wastes, will strengthen long-term planning as well as support action plans such as the one designated for the greater Toronto area waste crisis.

Lastly, I would like to strongly encourage members of the committee from Metro and York regions to support the bill in this form. More than any other members, you will be making decisions that immediately and directly bear on the success of environmental programs in your regions. Thank you. That's the end of my statement.

Mr Grandmaître: On page 1 of your presentation, fourth paragraph, "If policy commitments to waste reduction are to be honoured, then Metro Toronto, under powers conferred by the province, should approve a waste reduction action based upon the following principles"—I'd like to address your third and fourth principles. I'll start with number 3: "The allocation of funding to waste reduction initiatives that reflects the priority of these waste management strategies." Can you

give me your thoughts on that one?

Mr Bell: Okay. The allocation of funding in Metro's instance is particularly important. There's an inherent conflict in one department, the solid waste division of the Metropolitan Toronto works department, dealing with disposal and the conflict there over revenues and where they are designated. The goal under this action plan, which is elaborated on in the accompanying package, is to separate the two departments to keep the integrity of the financing systems that are dedicated to their goals.

Mr Grandmaitre: I see. Number 4, "the creation of a waste reduction office": Don't you have faith in the ministry?

Mr Bell: As I understand it, the policy proposals and the content of the bill are meant to confer on regions extended powers not presently found in the Municipal Act and other acts. It's our position that from here on in, the region is capable of having these powers and incorporating and integrating into other planning exercises official plans or discrete waste reduction bylaws or other policy-oriented exercises.

Mr Grandmaitre: But what would be the main responsibilities of this waste reduction office?

Mr Bell: In the document that's accompanying the statement, it can be done, 50% diversion achieved by 1993. Section 4 is really the kernel of that document.

This waste reduction task force discovered that there are roughly half a million tonnes of organic material in Metro Toronto's waste stream and just under a million tonnes of fibre, as it's called in the report: wood and wood-derived products. That's the first strong step that members of this task force identified: composition, and then integrating material types into present community programming.

The committee needed to take the next step. Metro Toronto was reluctant and slow on waste reduction generally and didn't adopt a community-based approach, and I think a waste reduction office can help to achieve some of those goals.

Mr David Johnson: Just carrying on, then, with item 5, which is the community-based approach, what are we talking about, 100 or 500 communities? How many communities are you talking about in Metropolitan Toronto?

Mr Bell: Personally, I live in the area that creates the most waste in residential-sector Metro and the ICI sector, and that's unit generation area number 1. There are eight such units inside Metropolitan Toronto and there has not, to my knowledge, been an attempt by Metro to identify—

Mr David Johnson: I was just asking how many community groups you see within Metropolitan Toronto.

Mr Bell: The answer to that is closely linked to the planning models that are now there—

Mr David Johnson: And the answer is?

Mr Bell: —and it may be 18.

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Mr David Johnson: Eighteen. Now, within these community groups, you envisage some volunteers and some staff, obviously, and you were talking about, I think, disabled people. I don't know if that was the same linkage or not and maybe I won't sidetrack you on that, but there would have to be people doing sorting, recycling, storage and that sort of thing, so obviously there would have to be staff involved. Where would the money come from to pay for the staff?

Mr Bell: We hadn't addressed that. In the appendix of the task force is a proposal by a community group to enter into an arrangement with Metro Toronto for identifying in its community, South Riverdale, a spot for a composting plant. An interim steering committee was struck. It sat for a year and languished for six months after. The community was investigating composting facilities in the States. The funding mechanisms weren't clear, and I don't have an answer for that based on the community-based approach.

The results from Quinte show that the costs per tonne are comparable to residential solid waste collection, so we shouldn't be too far off the mark if we model it after that. All we're doing in the residential waste programs is compartmentalizing wastes that are there, generation of waste in residential section is largely constant.

Mr David Johnson: Without being too specific on the community groups, then, in terms of the waste reduction program in general, how much money do you see in terms of percentage terms from the province, how much from user fees, how much from municipal governments, how much from the private sector? Where do you see, roughly, the money coming from?

Mr Bell: We don't have a figure specific to Metro.

Mr Wiseman: You've raised an interesting point in terms of the contradiction in Metro between the collection of refuse and the revenue that they raise from that, and the mandate to recycle. There's no way that you can reconcile those. Metro's making huge dollars from landfills in other communities, not in its own, my community being one of them. This argument, you've probably heard more than once.

The ownership of the landfill site was raised by the previous group, by PACT, and whether the municipalities should have it. They also raised the issue of having a reverse grant system in that you are not rewarded on the basis of how much you collect, but you are rewarded on the basis of how much you eliminate. Would you care to comment on what you might think of that kind of an approach in terms of the administration of the waste system?

Mr Bell: Waste specifically, not 3Rs?

Mr Wiseman: Waste—I don't even like to use the

word "waste" because I think they're all natural resources just waiting to be reused, and the next aspect of the question then has to do with cost.

When OMMRI was in here, they were talking about finding markets to pay for the waste, and I made the point, at that time, that in order for you to really develop markets, the costs of your diversion material have to be less than what your natural raw materials are going to be coming into the system for a demand system to be created.

Mr Bell: My approach to this is that the cost avoidance, moving materials out of disposal systems, will cover you long into the future. Your theme or other ideas on the cost of the Beare Road landfill being excessively high, and that's the reason for Metro for not closing, I think is quite valid. We just don't know those post-closure care costs, and Metro hasn't disclosed.

That was one component in the SWEAP environmental assessment Metro didn't touch, and we were at a loss for so long on financing and costs. That's why, right up until today, we don't have a lot on what Metro's approach should be. Their component study on regulatory measures was really good, but they didn't go that next step to financing.

Mr Wiseman: I know that in Brock North landfill site, they are on a daily basis removing one tanker and sometimes two of leachate from that landfill site. There were 143,000 tonnes put in there almost a decade and a half ago, and yet it's still leaking and they have to build these wells to collect it. We don't know how much in leaching into Duffins Creek. The same is happening at the Brock West landfill site, and now we understand that they're having to put into place monitoring wells around the Beare Road landfill site.

Nobody's talking about those costs, nobody's talking about the opportunity costs that are lost, except maybe when we heard Alcan talking about the opportunity costs in terms of loss of the aluminum.

The Acting Chair: I'm sorry, time's come to an end. Thank you very much.

Mr Bell: You're welcome.

CITY OF ETOBICOKE

The Acting Chair: Could we have the representative from the city of Etobicoke, please? Could you identify yourself for the purposes of Hansard?

Mr John Hastings: I'm John Hastings, councillor, ward 12, city of Etobicoke.

Thanks for the opportunity for letting our views be known today. Basically I'm not going to read the brief; most people can read that themselves, I'm sure.

What we would contend from our city is that—and I think I reflect at least a good majority of the members of our council—if this bill becomes law, which it's probably likely to, then before it becomes law there ought to be some specific test demonstrations done by

Metro to demonstrate clearly what the cost advantages would be for Metro to assume, through this bylaw, that it can take over garbage collection and do it better.

There's nothing in the bill, as most pieces of legislation that are drafted around here, that shows what the economic cost impact would be to the taxpayer, whether the taxpayer is in Scarborough or anywhere else. They all pay the same amount of money per property, based on non-market value assessment. So if Metro thinks it can do it better, then at least it ought to undertake a pilot test project to prove that it can do it better, because the way we see it now, this present proposition is just another comfortable arrangement by Metro to take over garbage.

Essentially, if you're going to take over garbage, as we have suggested is another possibility, then why not do it in the context of a complete takeover? If you're going to show that Metro, as a regional government, ought to be a unitary government and you do away with the local area municipalities, then do it in terms of a study. Have a task force of eminent citizens look at it in terms of all the powers and responsibilities of Metro vis-à-vis the local area municipalities. Let them bring forth figures, whatever the item is; in this case, garbage. Let them show that on a per-gross-tonne basis, on a net tonne basis—whatever the numbers you use, let the citizenry have the opportunity to view that.

I don't want to argue that we're opposed to it simply because we're opposed to it. I prefer to argue that we have some substance to the opposition. If you can prove better that Metro is the best way to go, then let it prove it on an economic basis, which it hasn't done. This bill is not good legislation from that viewpoint, in our estimation. It simply is the old, regulatory, restrictive prescription for dealing with an issue. It doesn't even show us what the costs would be.

In fact, our works commissioner has a memo for us—another delightful surprise for tomorrow morning for our council—which clearly shows how Metro is operating even in its staff-level communications between the works commissioners and the commissioner of works from the Metro Toronto federation. I'd like to quote to you, sir, this illustration of this attitude. This is from Mr Mitcham, our works commissioner, re "User fee industrial, commercial and institutional waste collection." This is a quote directly:

"On July 13, 1993, I received a telephone call from R.G. Ferguson, commissioner of works, with regard to Metro Toronto's position with respect to ICI waste collection and disposal."

This is the part I really love: "We are advised that Metro Toronto will be seeking a user fee for all municipally collected ICI waste, commencing in 1994. Such recommendations will be presented at the works committee"—that is, Metro's works committee—"on July 28, 1993. The user fee will be paid by the city of

Etobicoke. The fee will approximate the commercial tipping fees currently in effect (\$90 per tonne).

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"Our decision to discontinue service to industrial commercial locations will mitigate the potential cost impact of this action. Metropolitan ICI user fees could increase 1994 city of Etobicoke costs by \$1.125 million, should council rescind the earlier decision to change the level of service."

Out of the blue. We knew this was coming. Mr Ferguson, on many occasions, denied that they would even try it. The present legislation in Bill 7 accommodates Metro. It hardly does anything to accommodate the area municipalities, which—and I'm not speaking for all of them—have proven, with difficulty, that we can get together and resolve an issue on a consensual and cooperative basis.

This legislation does the very reverse. "It doesn't matter what the previous history was, it doesn't matter how good it was, how bad it was. That's irrelevant. We know best. This is it. We're going to give Metro the capacity to have a bylaw to take over garbage."

Even if you provide a stipulation of 50% of the Metro population plus 50% of the cities, it still doesn't really get to the point of cost-effectiveness for the local taxpayer and tenant. I think they get completely ignored in this situation and it becomes, unfortunately, in the media a battle of jurisdictions. We're not interested in that. I'm just saying, personally, if Metro can do everything best, then let's do it in one fell swoop after a study instead of this little bit here, little bit there in terms of creeping Metroism.

If Metro knows the way to do it, it certainly hasn't proven it, either in garbage collection—because you don't have any data to demonstrate it. They have problems just maintaining the responsibilities they're supposed to be dealing with. One small example is the cutting of the grass on the road allowances on Metro roads, not the city roads of whatever municipality in Metro. It's a minor example, but it's a big irritant for folks.

To be fair to Metro, it has done a lot better this year, surprisingly, but it had to get a lot of phone calls, because people really don't know where to go when they see the grass about the height of these tables, certainly last year and the year before.

Those are my basic remarks. If this bill passes, it should be at least held in abeyance until Metro can prove, through a pilot project, that it can carry out the costs on a per tonne basis as effectively as the city of Etobicoke has proven in the appendix I provided, and also in other areas of the whole garbage activity.

The Acting Chair: Thank you. Given the fact that we are going to be called for a vote pretty soon, I would like to keep the questions as short as we can.

Mr David Johnson: I don't think it will be quite that soon. At any rate, John, as best I can make out of it, the way the province is anticipating funding in the whole area of waste disposal is that Metro would be able to charge the local municipalities a tonnage fee, and then the local municipalities would be given the right to charge a user fee. Of course, that would involve that you would somehow charge each home in Etobicoke for the number of bags it uses or whatever. That's how you would raise the money to pay for the waste system in Etobicoke.

I wondered what your views would be on such a system, how popular you think that would be, how easy that would be to implement in Etobicoke.

Mr Hastings: If the user fee philosophy prevails, we'll make sure that the Metro councillors will get all the phone calls, every one of them. I'll make sure that the phone numbers of all the Metro councillors and the MPPs who are responsible for this piece of legislation are well advertised. We can't even get through an ICI change in service regarding business and institutions in the city.

Right now we have approximately 8,000 businesses, 5,300 of which have made their own private contracting arrangements. We had decided on July 2—and we've just gone through it the third time with people from the business community coming in—that there are about 2,300 others who will have city service removed. They're saying this is unfair etc. A major number of people have already said, "I've paid my money in taxes. If you're going to put a user fee in, how are you even going to enforce it?"

Mr David Johnson: Let me tell you the rebuttal on that. The rebuttal on that is that if the user-pay system pays for the cost, then you in Etobicoke will be able to take that portion out of your budget, and therefore taxes will go down and people will be so happy with you because their taxes have gone down.

Mr Hastings: Unless this bill or an accompanying piece of legislation would allow a local—imagine a local area municipality having the capacity to decide intelligently which users should get a reduction in taxes. This is a theme that comes through in many instances with people who are opposed to the change in ICI. They think we have the capacity to get a reduction in taxes. I said: "You have to go to an appeal tribunal, and even there you will not probably get a favourable decision because they look at only comparable assessment of properties, not what somebody is paying in terms of taxes for whatever service."

Mr David Johnson: I saw a lot of flak coming from the residential, from the home owner, as a result of user-pay because they'd have to pay \$10 a bag or \$20 a bag or whatever, but you see a whole lot of flak coming from the ICI sector as well.

Mr Hastings: Just based on what we're trying to do in our own area in terms of trying to make ourselves more efficient.

Mr David Johnson: Okay. Since my time's probably running out soon, you mentioned that Metro should be able to prove that it can collect garbage more efficiently. But I don't think Metro will be able to do that, because the local municipalities surely can do that most efficiently.

Another suggestion that has come forward is that 50% of the municipalities representing 50% of the people of Metropolitan Toronto, so that would be at least three municipalities representing at least half the people in Metropolitan Toronto, would have to give their consent before Metro could take this over.

Is there any other modification of this that you could suggest to us today as a secondary position beyond the one that you put forward as your primary position?

Mr Hastings: Well, either demonstrate it on a pilot-project basis or give the area municipalities some capacity to reduce taxes. I think what's going to happen is that you're going to diffuse accountability even more under this approach. People out there don't really care whether it's Metro or the city of Etobicoke. Just get the service done and get it done efficiently.

We're saying, okay, if a larger level of government is going to do that, then they ought to be able to prove it. I think maybe Metro could do it in terms of what they're attempting with yard pickup. The city of Scarborough, ourselves and North York—I think North York has already decided to probably have Metro pick up yard waste. That would be the beginnings of proving to the taxpayer that they can do it better.

Mr Hayes: John, are you just representing ward 12.

Mr Hastings: No, I'm here representing the city of Etobicoke?

Mr Hayes: This is what council was supportive of?

Mr Hastings: Yes.

Mr Hayes: Okay. In follow-up to Mr Johnson's question, if in fact the requirement for Metro's assumption of the powers was changed from a simple majority to at least 50% of the councils of the area municipalities, representing at least 50% of the population, would that make a change? It wouldn't be simply giving Metro total control.

Mr Hastings: I don't think it's really a matter of who gets control. I think we're really now into the budgetary implications of legislation. Whatever the issue, in this case garbage, you have to prove to the taxpayer and the tenant that what is happening is better service and that it's done at a fairly reasonable cost.

A lot of people probably came in here and got involved in the control issue. Most of them don't know where Metro is, and don't really care. They just want

their stuff done, and they want it done not yesterday but today at a reasonable cost. If you can't do that, I guess we're going to have to get somebody in there who can run our affairs more effectively. They don't care about jurisdictions. All of us politicians get all wrapped up in, "It's got to be us, because we did it best."

Although I may present that argument, what I'm really saying is, "If you're really going to do it, prove it." Even my own council said, "We're opposed to Metro Toronto imposing user fees." I've expanded on that, on area municipalities for waste disposal, direct an area municipality to deliver waste to a specified location.

Everybody's opposed to everything today basically. I'm trying to put a little meat on the loaf of bread, put a little better than minimal margarine, say why. I think it's an issue of economics. If the larger unit can do it effectively, they ought to be able to prove first they can do it. If they can do so over a year, then, hey, let them have it. Then they can have all the phone calls.

The way it is now, the local area municipality, the councillors, are going to get the flak. I don't mind taking flak for something that I directly screwed up, but I'm sure as hell not going to take the flak when it's a little bit over here and a little bit over there.

Mr Hayes: That's exactly the way I felt when we became government. It was the same thing.

Mr Hastings: Right. I'm giving you an alternative that if you're going to have this legislation go through, have Metro set up a pilot project. I don't care whether it's part of Metro—actually, Metro has done that with our wet-waste dry project, to prove costs.

The other thing I would bring up, and I haven't mentioned in the bill, is that under the present arrangement, with all its flaws, there are certainly flaws here, there is a bit of innovation going on. In fact Mrs Grier, when she was the Environment minister, authorized \$100,000, maybe even a little more money, to create a vehicle—and we have it right now; we're trying to get all the kinks out—where you can collect all types of garbage basically on the same delivery day, make it even more efficient.

That's where I think we should be driving the stuff, market development for recycling and all that, not getting into, "Oh, we'll give Metro this and then they'll be able to do it better, 50%." The taxpayer out there is looking for real, effective costs and good service delivery.

The Acting Chair: Thank you. This committee is going to have to recess until 4 o'clock because there's a vote being called.

Mr Hastings: My apologies, Mr Chair, for not having your general government committee on there. I thought it was resources development.

The committee recessed from 1202 to 1601.

The Acting Chair (Mr Gerry Phillips): Ladies and gentlemen, I wonder if we might begin the meeting. My name is Gerry Phillips and I'm acting as Chair this afternoon.

Mr David Johnson: A new Chairman every day.

The Acting Chair: That's true.

Mr Wiseman: Is this part of the shift work, Gerry?

The Acting Chair: Yes. My understanding is that the group that was due to be here at 4:20 is here now. If it's all right with the committee, I would suggest we start with the group. Just by way of background for the group, we've allocated each group 20 minutes. I'm required to stay very much on that time and so we will stick to that time. You have until 4:20.

You can spend the full 20 minutes, if you want, on your remarks, but I think it's more useful for the committee if perhaps you spend 10 minutes or so on your remarks and give each of the members an opportunity to ask questions of you, if that's all right. If you have a 20-minute presentation that can't be changed, you can do whatever you want.

The last thing I'd say is, could you identify yourself, because we have something called Hansard here that records off those microphones. It's important that they record who you are and your testimony. With that, perhaps we could begin.

VQUIP INC

Mr Doug Vanderlinden: Good afternoon. My name is Doug Vanderlinden. I'm the vice-president of VQuip Inc. Joining me here today is Tom Boushel, vice-president of VQuip Inc, and Kevin Neufeldt, vice-president of HaulAll Equipment of Lethbridge, Alberta.

VQuip appreciates the opportunity to provide our comments from the perspective of a supplier, designer and distributor of recycling equipment in Ontario. Our work involves many Ontario cities and their consultants to provide cost-effective equipment solutions for recycling and composting, collection, handling and storage. HaulAll is a manufacturer of engineered depot collection systems for recycling and refuse as well as specialized recycling and composting collection equipment.

Our comments today are directed at three basic points which stem from Bill 7 and its interrelationship with the 3Rs regulations.

We are supportive of the expansion of recycling efforts, but have some deep concerns about the direction of government policy introduced in Bill 7 and the 3Rs regulations. We appreciate the need for coordinated efforts in regional municipalities to permit the control and use of new and existing landfill and recycling facilities as set out in Bill 7. We are encouraged that the scope of recycling in the 3Rs regulations has been broadened to ensure that major generators are included and that the requirement for both mandatory and supplementary materials was addressed.

We applaud legislation which will aid in Ontario's goal to achieve significant landfill diversion by the year 2000, provided it is done in a cost-effective manner which is responsible to the taxpayers of Ontario.

Our specific concerns with the proposed legislation are as follows: (1) the elimination of alternative methods of collection, (2) the loss of the ability of cities to control the costs of recycling collection, and (3) equal accessibility and treatment for all segments of the population to recycling. I'd like to touch on those briefly, if I may.

With respect to the elimination of alternative methods of collection, innovative efforts to reduce the total cost of recycling in cities and towns has been stifled since the introduction of Bill 7. Prior to the release of this proposed bill, many cities were actively exploring alternative methods to collect and transport recyclables. Consideration for these new methods included our depot collection system in conjunction with their existing curbside collection services. This proposed bill has eliminated these initiatives and the potential cost savings which might be realized. Proposed pilot programs designed to test the HaulAll depot system's cost savings have all been placed on hold.

As subsidies are eliminated for curbside collection, the cost to the taxpayer will continue to escalate. The combination of Bill 7 and proposed amendments to the Waste Management Act regulation 347 will not leave cities and regional municipalities with any option but to pass rising costs on to an already overtaxed general population unless new alternatives can be found.

At a time when municipalities, institutions and the public are searching for cost savings without sacrificing the quality of service, we believe they should be afforded every opportunity to implement such programs. As an example, we have enclosed an excerpt of a newspaper article highlighting the significant cost savings achieved by the use of depot recycling systems in the city of Calgary. Such systems are under active consideration by cities and consulting engineers across the province of Ontario, but will be eliminated from the selection process in most parts of Ontario by virtue of Bill 7 and the 3Rs regulations.

Innovation and field testing of these proven systems such as depots must be encouraged if we are to reduce the costs of refuse and recycling without sacrificing our landfill diversion goals and costs. We ask for your support to consider the relaxation of the elements in Bill 7 and the 3Rs regulations which inhibit innovation and the piloting of alternative or supplemental systems to curbside collection.

With respect to the issue of cost control for recycling collection, Bill 7 allows regions to dictate the flow of material to designated sites and will mandate source separation for the blue box in addition to the control of yard and leaf collection. This has the potential to

substantially increase collection costs for cities and resultant taxpayers.

We believe cities should be allowed to select the collection vehicles and storage systems which allow them to operate at the lowest possible cost while meeting material diversion standards. The mandating of collection types and sorting methods without regard for alternatives eliminates the latitude for cities to cut their costs.

With respect to the issue of equal accessibility and treatment for all segments of the population, we believe that the accessibility to recycling will not be consistent for all residents of Ontario. Accessibility will not be equal for residents within cities who have different types of accommodation, since service differentials exist already for families who live in single-family dwellings, town homes and high-density housing. In addition, different services are provided to taxpayers depending upon the size and location of the community in which the taxpayer resides. For example, depot systems are allowed in northern Ontario but not in southern Ontario, where curbside collection will be mandated and further enforced by Bill 7.

As suppliers of equipment who have successfully harmonized household blue box usage with HaulAll engineered depot collection systems in cities such as Calgary, Lethbridge and Squamish, BC, we object to the regulations limiting the use of depots to northern Ontario. Definitive studies by the city of Calgary have demonstrated cost savings of up to 70% per household over conventional curbside collection systems by using our depot and collection method.

A copy of the final pilot report of the city of Calgary has been included in this submission for your consideration. If you refer to pages 12, 20 and 41 of the study, further details of the actual cost savings and participation rates are detailed. These savings were achieved without adversely affecting material contamination or participation rates. The Calgary depot system provided full access and equal opportunity for all residents to participate, regardless of housing density or type of dwelling.

The combination of mandating source separation and the assumption of waste management powers by the regions under Bill 7, coupled with mandated curbside collection methods and frequencies under the 3Rs regulations, will not permit depot systems a chance to test-pilot in southern or eastern Ontario. Accordingly, we ask for your support to ask the Ministry of Environment and Energy to relax the requirement for curbside collection in southern Ontario.

We are committed to enhancing recycling efforts in Ontario. Our corporate mission is to provide the most effective recycling equipment at the lowest possible cost to the taxpayer and the cities. We appreciate your consideration of our comments to assist us to continue

our efforts to achieve this goal in Ontario.

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The Acting Chair: We've got about 12 minutes left. We'll start with the Liberal caucus for four minutes.

Mr Ron Eddy (Brant-Haldimand): I want to thank the presenters for their presentation, which is a very damning condemnation of the bill. It appears to me that you very strongly believe in democracy and that's one of the reasons you're so critical of this bill. As a former municipal representative, of course, I have great concerns about it as well.

In your opinion, should the bill go forward, can it be salvaged or should a new bill be prepared? Would you be prepared to list some important ingredients in that? I know you've already said some of the things that are wrong, but could you submit something like that—it would be most useful—and what mainly would it contain?

Mr Vanderlinden: We'd be more than willing to do that. I guess the fundamental issue for us is the combination of the bill itself and regulation 347. Our position is that those two should be looked at together, that right now the operation of the two individually will remove a lot of freedom of choice for the cities and for the taxpayers. We'd be more than willing to specifically itemize our concerns and make some suggestions.

Mr Eddy: If there's one thing that needs to be supported, it's freedom of choice and indeed the opportunity for municipalities to look at a cheaper way of doing things, providing it's proper and in order. Many municipalities want to do that, and I really appreciate the views you've expressed. It's not the first time, of course, that Ontario has looked to things that have happened in the west to be the right thing. I believe the depot stations are in use in Ontario in many places but this would eliminate them.

Mr Vanderlinden: No. The depot stations that are currently in use in Ontario are a much different configuration or type. When Calgary took a look at its situation two or three years ago, it evaluated all the alternatives and basically decided there were two choices for it to handle its recyclables. They set up three basic evaluation criteria. They were essentially participation rates, the material quality and processing requirements, cost of operation and public input and acceptance.

They chose to take a look at two different systems. One was curbside collection, which is currently mandated by the MOE and is basically being pushed through the 3Rs regulations. The second alternative was the depot collection using the HaulAll engineered system. They ran those two concepts side by side in the city with approximately equal populations, and at the end of a one-year full trial that's completely documented here, the final result was that on a per-house-

hold basis the depot collection system was 70% cheaper than curbside collection.

Our point is that we've been working with a number of consultants across Ontario, we've been recommended to pilot in a number of areas and the combination of Bill 7 and the 3Rs is preventing us from doing that. If nothing else, we think it's essential that people give us the opportunity to pilot the system and to go out and prove that the cost savings that were achieved in Calgary may be achieved here.

We're not at odds with the blue box program. We just think it's tremendously expensive and we think that some things could be integrated with it to bring the overall cost of recycling down. We oppose legislation which doesn't allow freedom of choice to do that.

Mr David Johnson: One area where the depot system is used right here in Metropolitan Toronto is for apartment buildings. There are varying types of situations. I'm not entirely certain what the government has in mind for apartments in the future. Is it your reading that either Bill 7 or the regulations that you referred to disallow the possibility of having depots associated with apartment buildings in urban areas?

Mr Vanderlinden: At this point that's our understanding.

Mr David Johnson: Does that come under the regulations?

Mr Vanderlinden: It's our understanding that it's coming from the 3Rs regulations, that from the 3Rs regulations the type of equipment that's going to be used for collection is being mandated and Bill 7 is backing up that mandate.

Mr David Johnson: Maybe I'll come back to that, because I can't fathom what they've got in mind if it's not some sort of a depot system.

Mr Vanderlinden: Right now a lot of municipalities that are looking at collecting materials at apartments are using large, high-volume auto carts and are rolling them out to the corner. We're not aware of a lot of apartment buildings that are using large depot collection systems. Metro has some blue bell systems. Our concept is quite a bit different than that.

Mr David Johnson: One of the problems, I guess, that'll be thrown at you is the participation rate. I've just flipped to page 41. I may be interpreting this incorrectly, but there's a column entitled "Drop-off." Is that where you comment on the participation rate? Does that 47% mean that with the blue box system you get 72% participation, but with a depot system you get 47%?

Mr Vanderlinden: It's a fundamental issue again with respect to curbside collection and a depot. Calgary, in its study, achieved a 72% participation rate but its participation was limited, or from our way of thinking, it's discriminatory. It only looked after single-family

homes to fourplexes, so in the distribution of curbside, they picked up 72% of their target. When the city of Calgary took a look at the participation rate for dropoff, it was 47%, but that was of general population.

If the city of Calgary was to fairly present the numbers, it would have taken the entire population, whether that population lived in single-family homes to fourplexes, and it would have added to it apartment dwellers, town homes and all the other people who could not be serviced.

Mr David Johnson: Have you done any study looking at the single-family home owners, what the participation rate would be with the blue box, which in Metropolitan Toronto is about 90%, and what it would be with the depot system, not including the apartments but just the single-family homes?

Mr Vanderlinden: I guess that's the difficulty right now. Without putting names to places without their permission, we have been under discussion with a number of major municipalities within the GTA that have wanted to pilot the system. Since the introduction of Bill 7, everybody has had to walk away and say, "I'm sorry, we can't take a look at any lower-cost alternative." That's the difficulty for us.

I think I would like to make one more point, though, with respect to participation. If we're going to shoot for 50% diversion by the year 2000, participation is one factor, cost per tonne is another, and public acceptance is a third.

Everybody right now is very concerned, and I understand the concern, that you don't want to alienate people who are currently using blue box systems. The way Calgary got away from that was it gave everyone a green box, but the green box was taken to the depot. What the depot is really doing is only acting as a cheaper form of collection and sorting. In our area here, everybody will still get a blue box, but it would be their choice to bring it to the station.

One thing we are finding is that now, as the frequency of blue box collection starts to step out to two and maybe three weeks, a lot of people are winding up with recyclables that they faithfully collect in their house at the end of a week. They would like to get rid of them, they would like to get them out of the house, but now they have to wait for the truck to come.

Mr David Johnson: Good point.

Mr Wayne Lessard (Windsor-Walkerville): I can understand when you're talking about the costs that it would be cheaper to have a depot than to pick up at everybody's house individually. I can understand that, but I guess by taking the blue box either to the roadway out in front of your house or down the street some place, to me there'd be a difference in the number of people who would take that extra step to take it down the street.

In Calgary, how do people do that? Would they be taking them in their car or would they be walking down the street?

Mr Vanderlinden: They used a variety of methods. One thing that there is a differential with in the city of Calgary is that there was already a fairly strong deposit program.

I would liken your comparison to, many of us in this room probably enjoy the occasional beer. Everybody is very happy to take the beer bottles back to the beer store to go and purchase more beer. The way the depot system worked was that you're going shopping every week, and they were able, through public acceptance—really, when it came down to it, it was a cost issue and when the public looked at the cost of paying over 70% more for the privilege of having recyclables picked up at the curbside, they were willing to take the material to the shopping mall where they were going anyway.

One thing it did, the study pointed out that it provided a level. In one way, it's an inconvenience to take your material; on the other hand, it gives you complete freedom to take the material when and where you want to.

Mr Lessard: It seems to me that in Ontario we have a high participation rate with respect to the blue box at the present time. People are used to it. If you gave them that freedom of choice, my fear is that they may just not decide to recycle so often. They wouldn't see that incentive there to do that.

Mr Vanderlinden: I understand.

Mr Lessard: You talk about participation rate, and I take it from that, that's the number of families who actually participate in recycling. But if we're talking about waste diversion and we're talking about rates of recovery, what weight per capita do we actually get using each of these different methods? Do the studies here reflect that, not just the participation rate but how much you actually recover by the blue box and by actually taking it to a depot?

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Mr Vanderlinden: What was addressed in the study were the four basic criteria: participation, cost of operation, the material quantities which were actually recovered as well as the material quality and contamination.

Mr Lessard: You never said anything about the quantity of recovery.

Mr Vanderlinden: The recovery quantities were within 15% to 20%. I guess our whole point is that all we're asking for is an opportunity to allow the people of Ontario and the municipalities who want to take a look at it to take a look at the depot collection alternative. The regulation is preventing that right now.

Mr Wiseman: I'm looking at page 41 as well in terms of the dropoff. The numbers concern me to a

considerable extent in that the material quantities collected is a dropoff of 2% in the Metropolitan Toronto area on residential waste, which is about 1.3 million tonnes a year. That dropoff is 20,000 tonnes. At \$90 a tonne, it's a considerable amount of money, whatever \$90 times 20,000 is: \$1.8 million. Also, the dropoff would certainly be exaggerated the more outreach you go, the further out you go in terms of what you're trying to collect.

This study, from what I've been able to read so far, did not take into account the increased cost in tipping fees projected against the loss of revenue included in the cost of dropoff. So I don't know how successful this program would be, given also that this type of program was the rationale behind 1972-73 in Metropolitan Toronto, where they created depots for people to drop off and it just didn't catch on. It killed the program.

Mr Vanderlinden: I understand your concerns. I'd be happy to meet with you and go through the study in detail. This study was effective enough that the city of Calgary opted for depot collection across the entire city.

Mr Wiseman: This study would probably be effective enough for Gary Herrema to go for it, but he doesn't know what he's talking about either.

Mr Eddy: That's a little low. Let's stick to the question.

Mr Vanderlinden: I'm not involved in the politics today, gentlemen.

The Acting Chair: I hate to play the role of time-keeper here, but I think that's my job.

Mr Vanderlinden: May I make a closing comment, sir?

The Acting Chair: A closing comment, sure.

Mr Vanderlinden: I'd be happy to meet with anyone to discuss the soundness of the Calgary study. We have taken customers out there, major municipalities who have toured the city of Calgary, met with their people and taken a look at their experience. Well over 50% of Calgary's population are displaced easterners. A lot of people look at Calgary and say it's a different place, it's a different time, the dynamics are different.

The bottom line is that what we're concerned about is getting the proper rate of diversion at the lowest possible cost. We met the diversion targets and we saved 70% of cost, and for the taxpayers of Ontario not to be at least looking at the concept, or closing the door on piloting, is something that we can't understand. We think it's something that should be looked at.

The Acting Chair: Thank you very much. I appreciate your being here today.

REGIONAL MUNICIPALITY OF YORK

The Acting Chair: The next presentation is from the regional municipality of York. Just so you understand the ground rules here, each group has 20 minutes, and

we have to stick to that fairly tightly. The committee would appreciate any opening remarks you want to make, but if there's an opportunity for questions, we've found that most useful. Identify yourself and speak into the microphone so we have a good record of this.

Mr Craig MacFarlane: Good afternoon, Mr Chairman and members of your committee. My name is Craig MacFarlane. I'm a York regional solicitor. I'm here on behalf of York regional council to express our views on Bill 7. I'll be very brief, to leave time for questions, and I've provided a brief summary of our comments on the legislation.

First of all, I'd like to say that we support the general thrust of the legislation. We think it's extremely timely and we're pleased that it finally provides the regions with the power to establish and operate waste diversion facilities. That's something that has been lacking in our legislation. We need this, of course, as an important adjunct to our existing responsibilities in providing waste disposal for our residents.

We appreciate the flexibility that the bill provides in the division between the area municipalities and the region so that the details as to who does what can be worked out between the two levels by the 1997 deadline. Also, the inclusion for the setting of rates for collecting and disposing of waste by class, volume, weight etc is important.

Also of importance to us are the provisions in the bill providing for joint municipal-private sector arrangements in recycling and waste disposal. We have a large recycling facility in Markham all set to go, which is a joint venture between the region and a major private entity. Of course, York does support the continuation of the right to compensation for waste disposal facilities. That's continued into the act as well as the ability to set the terms and conditions of this.

There is one suggested recommendation for legislative consideration in the bill. It's really a point of clarification. I think it's there already. But you might just want to consider a provision that would allow the industrial-commercial-institutional sector to continue to have a choice in terms of what its disposal arrangements are. We are not looking for, at this point in time, mandatory flow control from the ICI sector. We don't think that's appropriate and it would certainly not be appropriate given the fact that we the region, or any of the regions, can't assume overall responsibility to receive that waste. We just simply aren't equipped to handle it.

One tangential point that I think is very important: There is a recent court decision which has now held that recycling facilities can be considered waste disposal sites and therefore have the requirement of a full hearing under the Environmental Protection Act. Right now, our Markham recycling facility is on hold because the operator can't get a certificate of approval for this.

So I would recommend—and I think Ministry of Environment staff have put together a package of amendments—immediate consideration to amending the EPA regs to exempt recycling facilities from being considered waste disposal sites. I know the court decision will probably be under appeal, but those appeals take quite a long time to deal with. Just so that everybody can proceed with their plans for recycling in the province, I think that would be an important point to clear up.

Mr David Johnson: I just wonder, in the region of York there really isn't a whole lot in here in terms of general funding. There may be a reference or two, but was there any discussion about funding of the whole waste management program, the recycling program, the mixed waste?

Mr MacFarlane: It's going to cost money. There's no doubt about it. In effect, we're subsidizing it out of our general revenues. There's no doubt that the products you've got to market just don't cover the cost of recycling today.

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Mr David Johnson: Has the region of York put forward any kind of a recommendation with regard to how waste should be financed in the future? I think what's being contemplated through this bill is that the region would charge a fee to the local municipalities and the local municipalities would have a user fee to go back to the individual home owners. Now, that's going to be greeted with certain amounts of favour.

Mr MacFarlane: I don't think we can really get away from that. I think, in terms of the user-pay system for recovery/recycling, that's—

Mr David Johnson: But will that cover the costs? It's my estimation that unless the user fees are very steep, there'll be a whole lot of money that's going to be required to meet the 50% reduction by the end of the decade. Somebody else is going to have to be on the hook, and if so, who should it be? Has your region given any thought to that?

Mr MacFarlane: We haven't taken any formal position on that, but our environmental services department is certainly looking at that, along with our treasury department. That's something we are looking at, together with other user rates in the region for other forms of services.

Mr David Johnson: You've commented on the Environmental Protection Act. Many municipalities which have the requirement to go and find a landfill site have indicated that the whole environmental process is very difficult, very convoluted and takes a long period of time. I guess with Peel, the Interim Waste Authority is assuming that responsibility right now, but did you have any other comments with regard to the environmental process?

Mr MacFarlane: Absolutely. York region is on record as supporting a full and complete environmental assessment of all alternatives to landfill. We currently have a constitutional challenge under way which is seeking the help of the courts to provide for a full environmental assessment process so that York region residents are not left with having possibly no site whatsoever. If the joint board ultimately decides, on the hydrological and other studies, that the final site doesn't work, Metro and York are left with nothing, so we are seeking to have an inclusionary approach of all alternatives examined.

Mr David Johnson: Such as the Adams mine site.

Mr MacFarlane: Adams mine, multiple landfill sites, incineration—there are other technological advances in the area that have been made.

Mr Hayes: The Ontario Waste Management Association has proposed amendments that would clearly remove the flow control of the ICI from municipal jurisdiction. Do you support that, or would you like to comment on that?

Mr MacFarlane: The Ontario waste management amendments, I believe, go too far. What they do is seek to take the municipal regulatory power away from the waste management system, and that's clearly not appropriate. It goes way beyond flow control. All we're saying is that the ICI sector ought to have a choice in terms of final disposal. In other words, we shouldn't prohibit export beyond the jurisdiction for waste for the ICI sector. If export is more cost-effective, more competitive, that's where it should go, especially in the GTA municipalities where we have existing municipal landfills with a finite life. In the case of Keele Valley we've got maybe nine years left at best, providing the ICI people don't come back.

There is a practical concern about mandating non-export of ICI waste from a region such as York, simply because we've got nowhere to put it. By the time all the environmental assessment matters are concluded, we have to husband our existing landfill resource very carefully.

Mr Hayes: Do you support that? Do you support taking it away—I mean, not putting all of the authority on to the municipality for flow control, the ICI?

Mr MacFarlane: No, I think the municipalities ought to have that authority, but there also should be the option of the private sector to be able to make their own arrangements for disposal. They should be permissive, not mandatory.

Mr Wiseman: I was concerned about the comment you made about the judicial decision to—

Mr MacFarlane: Yes. That's the county of Northumberland.

Mr Wiseman: Yes. I believe that section 309 of the Environmental Protection Act has been altered under the

certificates of approval in terms of what you need to have to short-circuit or to make the process a lot faster, and I was just saying that in terms of concern, it's a major concern to me, because if it takes too long to get a certificate of approval for the diversion of a natural resource from a landfill site, then that will be counterproductive.

Mr MacFarlane: Exactly. Based on our latest discussions with MOEE staff, there is still going to be a significant delay involved in getting this off the ground. However, we're meeting with them again next week, and if they can come up with something for us that's great, but I think, just given an examination of this decision, it might be prudent to clarify the definition of "disposal" in the Environmental Protection Act, because that seems to me to be what the court got hung up on.

Mr Wiseman: Is there wording that could be done in Bill 7 or would it have to be done under a regulation?

Mr MacFarlane: I would do it by regulation. I think a regulation could take care of it, or you could change the definition in the Environmental Protection Act.

Mr Wiseman: That would take an amendment to the act, which would be a long time.

Mr MacFarlane: I would say by regulation would be the most appropriate.

Mr Eddy: Thank you for your presentation. I'm interested in your proposed amendments. I feel that they're very much in order and should be looked at and considered. I can't believe that it has been interpreted by the court, waste disposal sites, designation of recycling facilities, although I know there certainly are some problems depending on just what's being recycled and the amounts and etc.

You probably heard the prior presentation, I expect, and the plea to allow alternatives.

Mr MacFarlane: I didn't catch the full story.

Mr Eddy: You have mentioned, however, that alternatives need to be looked at and municipalities should be allowed alternatives in recycling programs. Could you comment on that, and to what extent?

Mr MacFarlane: I guess we were referring more to the ultimate disposal. I mean, our municipality fully supports the diversion targets and that whole approach. We're very supportive of the thrust of the legislation. But in terms of the ultimate disposal, that's where we need to look at alternatives, whether they be energy-related, rail haul, such as what's going in Europe and the United States. Rail haul has now become quite a viable alternative, and especially when we have a very scarce resource of arable agricultural land in southern Ontario.

Mr Eddy: Getting scarcer every day.

Mr MacFarlane: That's right.

Mr Wiseman: As we cover it over with subdivisions and urban sprawl.

Mr Eddy: Well, I appreciate the suggestions you've made, and yes, in landfill sites.

You've made the two proposed amendments. Are there any others that you feel should be made? You've mentioned about regulations, and of course anyone dealing with the act automatically deals with the regulations as well, but it's more difficult for the general public.

Mr MacFarlane: The regulations that I was referring to are those under a different act—

Mr Eddy: Oh, right.

Mr MacFarlane: —the Environmental Protection Act. It's just simply a regulatory clarification that would assist in the implementation of Bill 7. That's what we really are all looking for, and if the MOEE staff get some help in that regard to clear up this decision, that would certainly help us get our recycling facility going, because we've laid out a lot of dollars and so has Miller, our joint venture contractor. We have a building leased. Everything's ready to go, except the decision is standing in our way in order to implement it.

The Acting Chair: Mr MacFarlane, thank you very much. We appreciate you being here. Have a good day.
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CANADIAN RESTAURANT AND
FOODSERVICES ASSOCIATION
QUICK SERVICE RESTAURANT COUNCIL

The Acting Chair: The next groups are the Quick Service Restaurant Council and the Canadian Restaurant and Foodservices Association. It's a combined presentation.

Mr Eddy: Any samples?

The Acting Chair: I was thinking the same thing. Thank you very much for joining us. We're operating on kind of a 20-minute cycle here, so we'll hold you to that fairly firmly. I think what the committee appreciates is your opening remarks and then, if possible, leaving some opportunity for discussion with you. Ideally, I suspect, it's sort of half and half: half presentation and half discussion. With that, what our committee would also appreciate is if you would identify yourself for what we call Hansard so we can get a record of who you are and then your presentation.

Mr Hal Gregory: Good afternoon. Thank you for the opportunity to comment on Bill 7 today. My name is Hal Gregory. I'm vice-president of purchasing and environmental affairs with McDonald's Restaurants of Canada. I'm also a member of the Canadian Restaurant and Foodservices Association's board of directors and chairman of the Quick Service Restaurant Council, which is a subcommittee of the CRFA.

The CRFA does work closely with the Ontario restaurant association on several federal and provincial policy issues. With me today is Anne Kothawala. Anne is government affairs manager for CRFA as well.

I guess the CRFA's approach to environmental issues is to incorporate the realities of the industry into a strategy which endorses reasonable and practical waste reduction targets, such as the national packaging protocol and Ontario's waste reduction action plan. We work with large, multi-unit foodservice companies that have the expertise and resources to identify and implement workable solutions and use successes achieved by these larger companies to help the independent operators, who, I should add, control 78% of the approximately 108,000 foodservice operations across Canada.

I think it's critical to emphasize that the foodservice industry is the sum of thousands of parts, spread evenly in every corner of the province; maybe not evenly, but they're in every corner of the province. Even the largest of the foodservice chains is comprised mainly of individual owner-operated types of restaurants, and we work together. It's this reality which is central to the foodservice industry's concern with Bill 7.

Just to give you a bit of background on QSRC, the Quick Service Restaurant Council, we were formed in 1991 by the leading quick service restaurant companies in Ontario and across Canada, such as the hamburger chains, Burger King, Wendy's, Harvey's and McDonald's; the chickens, Scott's, Colonel Sanders; Pizza Hut. I can go on and on; the doughnut chains, Tim Horton Donuts. Basically, we put together a mandate to meet or exceed waste reduction goals established by both the federal and provincial governments.

As a group, the first thing we did was to get a better understanding of the quantity and the nature of waste produced by our industry and develop a strategy to reduce that waste. This process was undertaken in a major research study. We commissioned a company called RIS, which you may be familiar with, to do a research study for us. Out of that study, the waste generated by our quick service restaurants in Ontario, our sector, was 71,100 tonnes in the year 1991, or approximately 0.6% of the total waste generated in Ontario.

The study also found that typical quick service restaurant establishment waste was generated in the following manner: back of the house, 59%; front of the house, 24%; and takeout packaging, 17%. In terms of the composition, our waste was quantified and it was found that back-of-the-house organics/food waste represented the largest component of the waste stream at 39%. Based on this research, all parts of the waste stream have been addressed with equal resolve. Individual operations are proud that in some cases, not in all cases, we are exceeding federal and provincial waste reduction goals.

As members of the QSRC, we are constantly testing new programs and sharing successes with each other. Most restaurants are able to focus on environmental programs in the back of the house and in the front of the house that are effective. The success of these programs is based on the technology and services offered by private sector waste management companies. Our most successful programs have been developed by innovative companies to suit the needs of our industry. I should say that these programs can work only if the flow of waste between municipalities is not limited.

As I mentioned a little earlier, the Resource Integration Systems study found that back-of-the-house waste represents 59% of the total waste. We have better control of that waste, because it's in the hands of our restaurant staff. Consequently, it's where we feel the greatest impact in waste reduction can be made. But in order to achieve this goal, we have to work with our suppliers to discuss reductions in both packaging as well as the deliveries coming to the restaurant. We've had many successful programs. I think we've outlined a few of them in the handout we've given you, so I won't go into them too much.

We've worked closely with our suppliers to develop programs that would also be successful in diverting waste from the front of the counter. I've put in a few examples of what we've done there, and there are quite a few. Given the backdrop of these environmental initiatives that the food service industry has taken, it's clear we've taken a proactive and serious approach to waste management. The response to Bill 7 is based on a concern that in its present form, the bill will severely restrict the initiatives we have taken to date.

The definition of both "waste" and "waste management facilities" must be clarified in order for the foodservice industry to support this legislation. While it is necessary to resolve municipal funding crises for residential waste, there is no need to stifle the initiatives of the ICI sector.

The foodservice industry believes that there are a few concerns with Bill 7 which I'll just take a minute or two to outline.

First, the bill contradicts the spirit of Bill 143, which empowers the province to legislate waste management. Ontario has just completed a major undertaking with the recently released regulations under Bill 143. I should say that we worked closely with the Ministry of the Environment to ensure that a level playing field was established between both industries and jurisdictions.

Bill 143 contains a list of items to be source-separated. The province invested a lot of time in this process and the list was a result of extensive research. The MOE had the resources of their policy staff working with private sector organizations that were able to identify what items were appropriate for mandatory source separation. This list takes into account factors

such as the availability of infrastructure in the province and the waste stream of each industry involved. These resources might not be available to the municipal governments and might lead to decisions based on inadequate information or on infrastructure.

The QSRC strongly supports the work that was completed under Bill 143 and opposes potentially endangering this cooperative effort by permitting each municipality to unilaterally change the source separation list mandated by the province.

The ability of our industry to engage in waste management programs is directly linked to the availability of new technologies developed by the private sector. Companies have invested a lot of time and money developing comprehensive environmental programs that reflect the nature and composition of waste and address the entire waste stream.

For example, I can talk about McDonald's a bit. We use the services of a company called Reliable Recycling. What they've done for us is developed customized vehicles that come into our restaurants and pick up source-separated materials, take them to a MRF and then distribute them to be recycled from there. The majority of our waste ends up with Reliable and the program we have there.

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I think the success of programs like this lies in their ability to achieve the economies of scale across the province. This can be achieved under Bill 143. However, Bill 7 could easily result in a patchwork of regulations which would serve as a disincentive to innovation in the private sector, consequently restricting the ability of the foodservice industry to move further on the environmental front.

Our concern is that if each municipality had different concerns as to what would be source-separated, it could end up with a program such as ours not being very effective. With our program to date, I think we're effective in reducing our overall waste by just over 50%. In order to keep that program going, we'd like to see a few changes to Bill 7.

A good example of how Bill 7 extends too much power to municipalities is found in clause 208.6(2)(d), which states that a local municipality may pass a bylaw to "establish different rules, fees and incentives for different defined areas of the local municipality, different classes of premises and different classes of waste."

Our franchisees rely on the expertise provided by head office to ensure that a successful and feasible waste management program is implemented. At McDonald's, we provide a centralized plan for our restaurants across the province. This plan is based on the guidelines provided by Bill 143, and in some cases the program, as I mentioned earlier, exceeds the provincial goals.

Similarly, the waste haulers establish programs that meet the requirements under Bill 143 for restaurants. If foodservice companies and waste management companies are faced with a patchwork of regulations, the effectiveness and efficiency of the recycling programs are greatly diminished. I know that our program at McDonald's would be put in serious jeopardy.

As I noted earlier, I take care of both purchasing and environmental affairs for McDonald's. We found that the two are very similar. Purchasing is done nationally in order to achieve economies of scale. Similarly, we have found that the success of our whole waste management program is contingent upon realizing economies of scale there as well.

I'd like to point out that the QSRC agrees with the Ontario Waste Management Association's amendment to the definition of "waste management facilities." CRFA staff have had the opportunity to review the amendments proposed. The OWMA clearly shares our concerns regarding the definition of "waste management facilities." QSRC supports their amendment to section 208.1, which makes a distinction between public and private facilities. As was noted in their brief, Minister Philip made a statement in the Legislature regarding the application of this bill only to residential waste. Since the intent of the government is to address residential waste, we would suggest that the legislation be amended to remove any ambiguity on that point.

We would also recommend that the legislation be amended by inserting a new section on the preamble which would clearly state that Bill 7 does not apply to the ICI sector waste. This new section could be inserted after the definitions in the legislation and would read something like, "This bill does not apply to industrial, commercial and institutional waste collected by private waste haulers."

This approach, we feel, would ensure that municipalities had more control over residential recycling programs while encouraging the private sector to continue to provide new technologies tailored to suit the commercial sector.

The Quick Service Restaurant Council welcomes the opportunity to cooperate with government to address the environmental issues facing the province and to work to implement policies which facilitate the development of the infrastructure to enhance recycling. Government and industry have a common interest in ensuring the development of infrastructure and should work together to that end.

That's the end of my formal presentation.

Mr Hayes: First of all, thank you for your presentation. Also, we realize the hard work that your organization has put in to setting up the 3Rs regulations.

What I wanted to ask you was that, of course, the composting facilities are not really available or in place

now, but has your industry got any plans in that way, in the composting of food waste?

Mr Gregory: We're working in several areas. As recently as this morning we had a QSRC meeting. We had some fellows in from Canada Composting. I don't know if you're aware of them. Paul Blanchard was in. We've been dealing with him now for over a year. He's trying to set up a facility in Newmarket which looks like it could meet our needs very well. It's like an in-vessel composter and it could handle all our waste. He's got his permit now and they can handle, when they're open, 120,000 tonnes a year, which more than meets our requirements.

We're also pursuing today food waste from the back of the house, not from the front of the house, not partially eaten food but good wholesome food that becomes waste in the restaurant, at the back, going into animal feed. We've been doing quite a bit of research on that. There are other areas that we're exploring as well.

Mr Hayes: Have you had another industry approach you on the food waste, for turning it into animal feed?

Mr Gregory: With the QSRC, I believe we've had one; with McDonald's, I've had several. We work with one company now.

Mr Eddy: I want to thank you for your presentation. It's very helpful. I think commendation is in order in view of the fact that you have in many cases exceeded the goals of the province, so we note that.

Your concern about local municipalities passing bylaws to establish different rules is the main concern, I understand, in this whole bill. Given that you indeed have outlets in many municipalities, and you can have many in a locale but in different municipalities just because of boundary lines, have you had any discussions with municipal representatives at any level regarding this matter and the concerns you feel so strongly about in this regard?

Mr Gregory: No. We've talked to different municipalities, but not so much on Bill 7, Anne, have we? We've met with a few.

Ms Anne Kothawala: No. We've had conversations with municipalities to keep them up to date on the programs that we're looking at. They're aware of our concerns about the potential of a patchwork of regulations and they're aware of what we're doing under Bill 143. We have not yet met directly with municipalities to talk to them about Bill 7.

Mr Eddy: The reason I asked that is that I would expect that many municipal councils would be sympathetic to your views in view of the fact that you do handle all of your own garbage disposal or collection. It's very important. Thank you.

Mr David Johnson: I was just picking out one of the concerns of the restaurant association. It was that the

user fee may apply to them, although they are charged through their taxes in a sense for waste disposal as well. It's sort of part of the broader municipal tax. You haven't raised that particular concern in your brief. Have you discussed that possibility, that municipalities could impose a user fee on your constituents?

Ms Kothawala: There's definitely a concern there as well in the sense that what we're really trying to get at is that if the original intent of Bill 7, from what we understand, was to look at residential waste, there would be no concern about any kind of what we call double-dipping, where you'd face a double payment. Our view on user fees is that we're paying them through our tipping fees. The private sector has taken a lot of initiatives to make sure that it's taking care of its own waste stream.

Mr David Johnson: So through your amendment here, you think this has been directed simply to the residential stream and therefore there wouldn't be any double-dipping. But you're obviously not in favour of double-dipping.

Ms Kothawala: That's what we hope the amendment would address.

Mr Gregory: Our waste for the most part is picked up by private haulers, which we pay, and doesn't go to the landfill.

Mr David Johnson: Exactly. So why should you be charged user fees? Of course, maybe it wouldn't apply anyway.

In terms of the concern that Mr Eddy was just talking about, I wonder, is there an amendment that you've put forward or do you simply suggest that clause 208.6(2)(d) be deleted?

Ms Kothawala: No. The amendment that we put forth is towards the end of the brief. We haven't had actual legal wording proposed. We're essentially saying that all that would need to be added to the bill to clarify it would be, "This bill does not apply to industrial, commercial and institutional waste collected by private waste haulers." There are a couple of restaurants, certainly in Metro, that are using the blue box, so we wouldn't want to put that at jeopardy. Essentially, that would clarify it.

Mr David Johnson: That covers it again, that the ICI sector is excluded, so that would be that the ability to "establish different rules, fees and incentives for different defined areas of the local municipality" would not apply to the ICI sector.

1700

Ms Kothawala: Precisely. That would just set the pace of the bill to make sure that there was no ambiguity, because from what we've heard so far, really the biggest question surrounding this bill has been the ambiguity. Does it mean flow control or doesn't it? So why not just clarify at the beginning and then nothing's

left up to guesstimating what it does mean.

Mr Gregory: I should just point out as well that I've had several conversations within the last couple of months with different people who are looking to establish new recycling facilities in the area, and their concern is, how is this going to impact on them and does it make sense to do it and we'd better take a wait and see attitude rather than a let's get the job done and do it.

I think there are better ways we can handle our waste. There are always ways of improving on what we're doing, and that needs some capital investment, some specialized plants and recycling facilities to get the most out of it. I mean, composting is a valuable way to recycle, but I think there are better ways, especially for organics waste, where it could be of a higher value added than just simply going into compost.

The Acting Chair: Thank you very much for your presentation. We appreciate it. Have a good day.

ENVIRONMENT AND PLASTICS
INSTITUTE OF CANADA

The Acting Chair: The next presentation is from the Environment and Plastics Institute of Canada. Dr Edgecombe, if you could join us, please. I think you probably understand, but we're keeping each presentation to a total of 20 minutes, including any questions or comments from the members. I think we've now got your presentation. In the interests of Hansard recording, if you could mention who you are and who you represent, then we could get on to the brief.

Dr Fred Edgecombe: I'm Fred Edgecombe. I represent the Environment and Plastics Institute of Canada, which is a program of the Society of the Plastics Industry of Canada, Canada's principal trade association dealing in the area of plastics.

I had intended to use the overhead projector, but I think because of time constraints I won't today. But I do appreciate whoever brought it into the room for me.

Waste management regulations, in particular those aspects which affect the use of packaging, can have a major impact on the structure of economic activity in Ontario. With close to 39% of Ontario's \$9-billion plastic industry involved in packaging, our comments will focus on Bill 7's impact on the management of plastic packaging waste.

In January 1992 the plastics industry made representation to the standing committee on social development of the Ontario Legislature regarding Bill 143, which among other things amended the Environmental Protection Act.

Our submission at that time was organized under four headings: (1) regulation without consultation; (2) the arbitrary nature of proposed waste management legislation; (3) an uneven playing field; and (4) regulations before voluntary action.

Our submission regarding Bill 7 highlights, I believe, similar concerns as we raised when we appeared before the committee considering Bill 143. Whereas Bill 143 gave substantial power to the Minister of the Environment, Bill 7 of course passes on much power to individual municipalities, which raises the spectre of increased balkanization of waste diversion activities.

In fact, by shifting powers to municipalities in the manner proposed, Bill 7 seems to subvert the Ministry of Environment and Energy's attempt to coordinate the pace at which materials are designated or source-separated. The regulations flowing from Bill 143, which have recently been promulgated, attempt to organize what should be source-separated.

I believe this problem is compounded by the fact that somewhat vague definitions of terms such as "waste management system" could be interpreted in a way which extends municipal control well beyond what was intended.

The uneven regulatory landscape regarding waste management in Canada has the potential to severely disrupt the competitiveness of Canadian industry. To compound the issue within the industrial heartland of the country by permitting the rise of city states dealing with waste management could result in the demise of, for example, the packaging industry in Ontario.

If you take our first point, regulation without consultation, we do recognize and from time to time have observed the frustration of some municipalities as they have attempted to deal with specific waste management issues, only to find that they lack the jurisdictional authority to implement their plans. Bill 7 attempts to overcome these deficiencies but in so doing removes the checks and balances which permit the introduction of perspectives broader than those of a single region or municipality.

Opportunity for regulation without consultation resulting in regional disparities within the province flows from certain clauses of sections 208 and 209 which Bill 7 will add to the Municipal Act.

There is no legal requirement laid upon any region or municipality to hold multistakeholder consultations regarding bylaws dealing with waste management. Onus is placed on those interested in intervening to determine when and where a local council will discuss a particular issue.

Even if knowledge of a potential bylaw exists, there is no designated route whereby comment can be made. Once a bylaw has been enacted, the only recourse generally available is an appeal to the municipal board, which of course can be a lengthy and costly process.

We believe that Bill 7 allows the potential for regulations to be arbitrary. Section 208.1 provides the first indication of the potential for bylaws which can be described as arbitrary. The definition of "waste" can

include "such other materials as may be designated by bylaw of the council of the local municipality." As a result, a material may be designated as a waste by a specific council and subject to the rules, fees and incentives for that class of waste as permitted by section 208.6(2)(e), while a few miles away a totally different regime exists.

Subsection 208.3(c) provides a local municipality power to "extract, produce, manufacture, advertise, sell, supply and distribute products...obtained from waste and waste byproducts, including products obtained by recycling, reducing and reusing waste and waste byproducts."

Subsection 208.3(c), together with subsection 209(10) as amended, which provides for exclusive jurisdiction for providing services or facilities, could result in one municipality causing economic damage to an industrial venture which has invested capital to provide a manufacturing facility, the feedstock for which is domestic waste.

Once operational, a particular municipality might arbitrarily raise prices for the waste or otherwise restrict collection, thereby affecting the viability of the industrial venture. Taken to its extreme, the municipality could, by exercise of flow control, decide to reprocess the material itself once industry had pioneered the markets for the products and probably sunk the capital.

We also believe that Bill 7 could cause a more uneven playing field than already exists. Ontario must remain a competitive jurisdiction within which industry can operate. Bylaws regarding the use of the waste management system, subsection 208.6(2), must recognize, I believe, the nature of global trade.

We're not suggesting that Ontario not work to improve its waste management practices to levels exceeding those currently in place, but rather that the province be constantly cognizant of the nature of global trade and the province's ability or inability to restrict and control international and interprovincial trade.

By allowing municipalities to enact regulations specific to their region, the fallout, whether it be economic or social, will affect Ontario industry before it impacts on imports of any sort. All public policy and its attendant regulations must be examined in the context of these issues.

In our submission regarding Bill 143, we pleaded for recognition of the need to level the playing field for those serving Ontario markets. With Bill 7, we plead for uniform measures within the province so that even local provincial business will not be subject to a patchwork of regulations across the province.

Industry already faces a chronic lack of provincial policy harmonization across this country that is having an increasingly negative impact on competitiveness. Put in this context, the potential for the regulatory landscape

to become balkanized on a municipal basis is likely to invite even greater problems of economies of scale for industries trying to comply with a myriad of varying regulation. Already companies that are trying to sell their products nationally find that the existence of varying provincial waste management regulations makes the cost of compliance prohibitive and therefore acts as an interprovincial barrier to trade.

1710

To this end, the problem of balkanized regulatory policies is compounded by other aspects of Ontario's business climate. Compared with many US states, for example, Ontario plastics processors face higher wage costs, a more onerous tax regime and, in many cases, higher energy costs. Arbitrary environmental regulations which place additional costs on manufacturers or users of products will make it increasingly difficult for them to remain competitive. We also believe that voluntary action should be given a chance to occur before regulation.

The plastics industry is a subscriber to the national packaging protocol and representatives of the plastics industry have sat on Napp since it was set up. The industry has worked with this multistakeholder group to bring about a rational national approach to the diversion of packaging waste which is a highly visible segment of municipal waste. Napp is a voluntary program and its goals have been endorsed by all of the provinces.

The plastics industry has contributed much to the reduction in weight of packaging both by lightening its own products and replacing other materials. Its products are more often reused in industrial applications than in consumer applications because of regulations involving health. Plastics recycling is growing and the industry is working to develop markets for recycled materials collected through the waste stream. These activities are often conducted within the purview of a multistakeholder group. The strategy task group for plastics established by the office of waste reduction in this province is such a multistakeholder group.

We believe that voluntary action is working well and the list of accomplishments is growing. The necessity to intervene in the trenches of municipal politics if control measures or readily attainable means of redress are not included in Bill 7 will distract from current action to no ultimate benefit, not even that of the environment.

To conclude, I emphasize that the plastics industry supports the government's commitment to waste diversion. However, we believe that Bill 7 could hamper rather than support this policy objective.

The policy orientation of Bill 7 will lead to a situation where the regulatory landscape varies from one municipality to another. I don't believe that is the foundation upon which any industry can enact comprehensive waste diversion programs.

Mr Eddy: Thank you, doctor, for your presentation—very enlightening and, considering we live in the plastic age, I'm very pleased that you concentrated on the plastic recycling, a very important part. I note particularly item 3, the uneven playing field, because if there's one thing I hear about in my riding constantly it's this matter of uneven rules. I think it behooves us, wherever possible, to have province-wide rules and I appreciate your particular concern with the possibility of different rules in different areas. It's very important.

You see definitely the act should be amended in that particular case and some others. Would you care to elaborate on those changes?

Dr Edgecombe: Yes—an amendment to the act or some safeguard built into it whereby there would be a need for public hearings, public consultation, and that the province perhaps would maintain some control based on a broader perspective than that of just the municipality.

Mr Eddy: Yes, I think that's it. A very good point. Are there other amendments you feel very strongly about?

Dr Edgecombe: I would like to see "waste" defined more explicitly than it is at the present time, because it's up to the municipality to say that this is waste and something else isn't.

Mr Eddy: Thank you for your contribution.

Mr David Johnson: First of all, I had the impression that perhaps you were simply suggesting that the bill be defeated, or are you suggesting that with certain amendments you and your industry, I guess, could be in support of the bill?

Dr Edgecombe: I think with the safeguards built into it, we could be supportive of it.

Mr David Johnson: So one of those amendments, then, would be the consultation obviously; that would be built in. That's what you're suggesting?

Dr Edgecombe: Yes, and some mechanism of redress other than going to the municipal board.

Mr David Johnson: All right. Can you suggest such a mechanism?

Dr Edgecombe: I'm not a lawyer and consequently I'm somewhat lost to do that for you. But I think there needs to be some overseeing body to determine the reasonableness of a particular bylaw dealing with waste diversion.

Mr David Johnson: Did you hear the previous deputation, the one from the restaurants?

Dr Edgecombe: Yes, I did.

Mr David Johnson: They were suggesting that it be clear that this doesn't apply to the ICI sector.

Dr Edgecombe: That's right.

Mr David Johnson: Does that address any of your concerns?

Dr Edgemcombe: No. My concerns are largely oriented towards the post-consumer sector, household collection.

Mr David Johnson: Could you give us a specific instance as to how that would work? I guess what you're saying is, some municipalities would define your products as being waste and some wouldn't. What would that do? How would that be done?

Dr Edgemcombe: May I be very candid with you? We have observed in some other environmental areas where a municipal council feels, close to election time, that it can get a lot of publicity by suggesting that it remove something from the municipality. For example, there was a threat here in Toronto to drive newspaper boxes off the street if the newspaper publishers didn't take a particular action. That is the sort of thing.

There's been a lot of confusion—you don't have any here today—about foam polystyrene cups. Several years ago, of course, they were held up as being very environmentally unsound, but there is a mechanism to recycle those. Often the reasons that they were held up as being environmentally unsound—people said they contain CFCs, when in effect 90% of the cups we're familiar with never did. But that was enough actually to cause some councils to literally ban them from their cafeterias and workplaces, but it wasn't done well.

Mr Lessard: Are you aware of an organization in the States called the American Plastics Council?

Dr Edgemcombe: Yes, they're a sister organization of ours.

Mr Lessard: I've been provided information from the Ministry of Environment. It was a press release indicating their potential investment in plastics recycling infrastructure in the United States—

Dr Edgemcombe: Of \$1.2 billion.

Mr Lessard: Well, \$1.5 billion. Maybe what I have is in Canadian dollars, I don't know. I wonder how much your organization or the plastics industry may be prepared to commit here in Ontario.

Dr Edgemcombe: We're doing exactly the same survey at the present time as the APC did in the United States, and I hope to be able to pass that on to Ron Clarke next week and then Richard Dicerni; we're meeting with him on the 29th. So I hope to have that information, and we'll certainly see that you get a copy.

Mr Lessard: We're looking forward to hearing from you.

Mr Wiseman: I had a presentation in my constituency office by a couple of inventors who are using microwave technology to microwave plastic, and not just plastic but other products.

I read in Discover magazine that plastic in its clean form, I guess—my understanding is that there are different kinds of plastics, and that what really makes it

difficult for recycling is when they're all mixed together. My understanding is that this technology will allow the plastics to be separated. Can you shed any light on what your industry is doing in terms of supporting that kind of technology? I know the government has put in a fair amount of money.

Dr Edgemcombe: The microwave technology—this is the gentleman in Cobourg, perhaps?

Mr Wiseman: Yes. They actually live in Ajax.

Dr Edgemcombe: What he is doing is a form of pyrolysis to recapture the feed stocks. There's a lot of work going on around the world in what is called tertiary recycling, feed stock recovery. Microwaving is one way of doing it. You can just apply heat in the absence of oxygen and do it, and ultimately you come up with an oil which you feed back into an oil refinery. That is possible.

The other item you were referring to is sorting of plastics. The post-consumer stream has about five different major components: polypropylene, polystyrene, high-density polyethylene etc. In order to get the maximum value from them, it's necessary, actually, to sort them into the components, and then if you have a stream of high-density polyethylene, that can be reprocessed quite easily.

1720

The technology is almost available to do that automatically. You can certainly pass materials by sensing heads and say that this is polyethylene; that's polypropylene. The problem has been in how you present a bottle which has been crushed in a bailer to this device and be able to do it at two or three items a second. There is work going on now at Eaglebrook, New Jersey, which has been sponsored by the APC. I believe we're getting close to solving that problem.

There is another approach to dealing with plastics in the environment, in the waste stream, and that is to recover the energy. Polyethylene is frozen natural gas. Its calorific value is about 19,500 BTUs per pound and natural gas is 21,500. Polyethylene in a modern energy-from-waste plant will probably burn more cleanly than natural gas straight from the well.

So you can recover that energy and convert it into electricity, if you would, and some provinces and some other jurisdictions in Europe are starting to look at that approach as well.

Mr Wiseman: Since we were talking about the sorting of this—

The Acting Chair: You have about one minute left.

Mr Wiseman: The SortCo facility that was suggested many years ago, where were you with that?

Dr Edgemcombe: SortCo did not get off the ground. This was for the industry to build a demonstration plant to sort plastics. What we're proposing now is that we will work with the existing infrastructure, and through

the use of industrial engineering improve their ability to sort. We'll be discussing that with Mr Dicerni again next week.

The Acting Chair: Dr Edgecombe, thank you very much for your presentation. We appreciate it and have a good day.

CENTRE AND SOUTH HASTINGS
RECYCLING BOARD

The Acting Chair: The next group is the Centre and South Hastings Recycling Board, if they could join us, please. Welcome. As you probably know, we keep to a fairly tight 20-minute time frame just so we can hear as many deputations as possible. We would appreciate your leaving some time for discussion, so if there's a way to keep your presentation to perhaps 10 minutes or so, that would be appreciated. With that, perhaps you could just introduce yourself and the group you represent, mainly for Hansard purposes, and then we'll get on to your presentation.

Mrs Georgina Thompson: My name is Georgina Thompson. I'm councillor of Thurlow township. I sit on the steering committee for the centre and south Hastings waste management plant and I'm also chairman of the recycling board for centre and south Hastings. I'm here today to make a deputation to the Bill 7 standing committee.

First of all, I want to thank you for the opportunity to respond to Bill 7 on behalf of both the waste management board and the recycling board in centre and south Hastings.

The centre and south Hastings waste management board is responsible for the long-term planning of the waste system for the next 25 to 30 years. We recognize the importance of waste diversion and have thus adopted one of the most aggressive waste diversion programs in Ontario, with a commitment to diverting 71% of ICI and household waste by the year 2000.

A key step towards this target is the blue box 2000 program. On November 18, 1991, the Centre and South Hastings Recycling Board, with the support of the Ministry of the Environment, launched the blue box 2000 recycling program. The purpose of the program is to demonstrate how a traditional blue box program can be expanded to its maximum potential. Combined with backyard composting, waste reduction initiatives and an expanded blue box recycling program, the goal of the blue box 2000 is a 50% diversion in the household waste stream.

The first year of blue box 2000 has been a success. The public has shown itself able and willing to fully participate in a broad range of waste diversion programs. Diversion tonnage has gone up drastically while costs have come down. The report circulated to you details many of the insights and findings gained in 1992, the first year of operation.

With respect to the proposed amendments to the Municipal Act, centre and south Hastings clearly supports increased powers to develop and operate waste management programs, particularly the 3Rs. But will increased responsibilities lead to increased costs? The board wonders when the document relating to the financing of municipal waste management will be released.

The board supports the provisions in the bill which would assist in the gaining of access to private property for the purpose of testing the suitability of the lands as part of the site selection process. We propose that subsection 208.8(1) be improved by adding the following words to the end of the section, "in any municipality." The additional wording is necessary in order to make it clear that the inspector may enter on to any lands, even where such lands are outside of the local municipality that appointed such an inspector. This is required as some candidate sites may be located within municipalities that no longer have membership on the waste management board.

We are also concerned that there is nothing in the proposed legislation that gives specific powers to joint boards of management. It has been hoped by many waste management boards throughout the province that the legislation would specifically empower the joint boards of management to directly undertake the same powers and actions that their constituent municipalities can undertake.

The board trusts that you will carefully consider the concerns as outlined in this deputation. If you have any further questions, either I or Jill Dunkley, who is our executive for the recycling board, our coordinator, will endeavour to answer them for you.

Mr David Johnson: First of all, let me say it was a very excellent presentation. I'm sure we all wish you the best of luck. It seems you're very determined to meet those reduction targets.

I can also say that I share your concern at the top of the second page about the increased costs. I've asked that question, where is the money going to come from? We don't seem to be getting much of an answer. Has your board or your municipality made any recommendations in this regard in terms of how waste management should be funded?

Mrs Thompson: No, we haven't, actually. I feel they're waiting to have some input back from you as to where the funding's going to come from.

Mr David Johnson: They'll have to wait two years.

Mrs Thompson: We are looking at ways the ministry has mentioned, sort of user-pay fees and different things like that. We are looking at those type of things. Some of our municipalities are looking quite favourably on it. I think the big thing with this, the problem with the board, is that as a board we have

spent multidollars to get this thing into play and organization. If we go, as a board, to different municipalities and try to enact any proposals we come up with as a board, we run into a stalemate with the municipalities. It's like you're batting your head against the wall.

We're given the money to initiate these things, but if we go to, for instance, my municipality, to try to sell user-pay to, it's sort of like, "Agh." They don't want to do that. What right do we as a board have to say: "Okay, but this is the way legislation's going. This is what we have to do in order to cut costs"? I think we all realize that the government isn't going to fund this for the rest of our lives, that we have to start looking at ways to fund it ourselves and that the money is slowly going to be cut back. We are as a board, I think, trying to be responsible enough to do that, but we don't have the power to take it to the municipality and say, "Okay, this is what we have to do," without it saying no.

Mr David Johnson: It seems to me, the best I can make out, that the provincial government is going to phase out its funding. User-pay is going to be the bulk of the funding for this. Now, I wonder what's going to happen to your program if really the only sources you have for it will be the user-pay system and whatever moneys the municipality can throw in, plus perhaps some from the private sector. I don't know exactly what the contribution from the private sector is.

Mrs Thompson: I think right now, for the recycling plant we're doing quite well. Correct me if I'm wrong, Jill. We recycle a lot of our programs. We have a fairly large market for our recycling programs. There are 15 municipalities. I don't know if you know the history of central and south Hastings. There were originally 15 municipalities that joined together to form this management group to look at the 3Rs as well as a landfill site. We have our plant up and running, and anything we're bringing in to the plant we have markets for at this time. Providing the markets hold up, then our plant will stay in play quite nicely.

We're looking at the landfill site right now. I presume it's like any other landfill site, even like the one we have in Thurlow township: Eventually there are going to be user-pay tipping fees to get into the landfill site. These are ways we're going to have to look at keeping ourselves viable at the same time.

1730

Mr David Johnson: Did you ever do an analysis of what percentage—revenue coming in from your recycling program—is the revenue to the total cost?

Mrs Thompson: Yes, we have. Go ahead, Jill.

Ms Jill Dunkley: Hi. I'm Jill Dunkley. I'm recycling coordinator for the program.

We have quite an innovative program in that right now we have achieved a certain base tonnage coming into the recycling plant. We really encourage increased

tonnage through increased participation rates and capture rates to come into the plant, because we are charged by our contractor at an incremental fee which is less than the base processing cost. Currently, that incremental dollar per tonne cost equals our revenue on a dollar per tonne basis. Essentially, any additional tonnage coming into the plant is offset by the revenue, so it's a good situation to be in.

Mr David Johnson: But if you look at the total, in Metropolitan Toronto there was an estimate, at one point, and this may be a little out of date now, that the revenue was about \$20 a tonne and the costs were about \$200 a tonne.

Ms Dunkley: If we looked at our revenue as just an average basket of goods, it's about \$33 per tonne right now. We have an expanded materials program. We've got a good price on boxboard right now. I know that Metro doesn't have that particular material in that program, and that's an argument, I feel, for expanding materials: economies of scale essentially. If you carefully plan out your collection program so that you have clean, source-separated material, then you have a higher value at your market.

Mr Hayes: The blue box program is really quite impressive and I'd certainly like to compliment you on all the hard work you've done. When we talk about the 3Rs program, do you feel that can be very cost-effective and assist you in your project, your blue box program?

Mrs Thompson: Yes, I believe that the recycling, reuse and reduce program will assist us in our program, because, as I say, we do have a lot of markets for the products that we're bringing in. With our household hazardous waste program into play now, there are a lot of products in there that are coming in that we are able to recycle by way of paints and different things like that. We don't, mind you, sell that to the people who are coming in for it.

The biggest one is our recycling plant. We've gained a profit in the last two years that we've been able to build back into the 15 municipalities to offset their cost of belonging to the program. This what we're hoping, that as we go on, as Jill said, we can recycle more products, that it will expand. We know that some of the products will fade out as well, but we're always looking for new products and new markets. That's going to be a on continuous basis.

Mr Hayes: There's a lot of talk about the user fees. Some people, I won't mention any names, want to think it's just a great tax grab or whatever you want to call it or another burden on the residents. I guess the fact of the matter is that when we talk about taxes, they all come from the same people. But do you think the user fees would be of assistance to you in your operation?

Mrs Thompson: Personally? I think so. Yes, I do. The way it's been approached and the way we're

looking at approaching it and, I'm sure, the way you know—correct me if I'm wrong Jill—with user fees, for one, they're going to come off the taxation roll for garbage and everything else. So you're only going to pay for what you use. If you put out 20 bags of garbage, you're going to pay for 20 bags of garbage. If you put out one, you're going to pay for one.

I think that will be a lot easier on the taxpayer and a lot easier to swallow, where they see exactly what they're paying for. Whereas now, when it goes on to the tax bill, they're saying, "What am I getting for these taxes that I'm paying?" They can see what they're paying for, and paying \$10 gives you 10 bags of garbage. I think what you'll find is that with that, people will tend to compost, recycle, reuse a lot more than what we do right now. We have a good involvement in our program in our area, but I think if they had to actually pay for what they're putting out, they'd do more.

Mr Hayes: Right. You fellows were listening to that, weren't you? Yes. Okay, thank you.

Mr Wiseman: I'll be very quick. I want to congratulate you. I can see why your program is successful if you're representative of the kind of driving force behind it. I compliment you.

The cost per tonne: What is the cost per tonne for picking up your waste? The reason I ask that is that we just received a deputation from a company called VQuip that says it can do it more cheaply and meet the same target levels as you are doing.

Ms Dunkley: I'm going to give you two costs per tonne. I'm going to give you one just for the collection, processing and marketing of materials just for the recycling facility. This is after revenue and before subsidy. You're looking at approximately \$120 per tonne.

The second figure I'm going to give you is what we're trying to emphasize in our program. We're looking at it as a system. We're looking at the total tonnage diverted not only through recycling but through our aggressive backyard composting program, our household hazardous waste program and our waste reduction initiatives. If you take the total tonnage diverted, you're looking at around \$50 a tonne.

Mr Wiseman: That's impressive. Thank you.

Mr Lessard: Actually, that covered my question. I was going to ask you what you thought about depot collections as opposed to blue box, because you have an emphasis on the blue box system. I just want to congratulate you for the success of your program as well.

Mr Eddy: I also commend you, certainly with the commitment to diverting 71%. Very good. That's just tremendous. I see you operate and have not allowed upper-tier boundaries to prevent you from operating and being a success. I think of another group like you,

Bluewater Recycling, which serves north Lambton, north Middlesex and south Huron counties, because the people in that area banded together with a number of municipalities and could do it on an economical basis. So that's great.

I also want to assure you that, as well, we've been asking about when the document relating to financing of municipal waste management would be released and pushing for it.

Finally, on the matter of joint boards of management, you make a good point. I hope the government will look at that and the powers they're giving to municipalities and to such joint boards that municipalities so designate and in some way recognize the operation of your organization, because we have to face it that upper-tier boundaries are not always the best, and in some cases they're the most inappropriate boundaries you could use.

I notice on the front of your report you have a picture of the blue box and other things. You've gone considerably further in collection and recycling than many municipalities have, because that's what you actually do. These other things are collected at the same time you come through. We'll have two collections, one for all of these recyclables and then the general garbage, is that right? I know it's in the report, and I look forward to reading your report.

Mrs Thompson: Yes. Most municipalities have a different company picking up the general garbage, but our blue trucks pick up everything that you see here on their roundabout. There's a specific day for each area, and everything is put out basically the way you see it laid out there in the blue box—the cardboards are tied, the newspapers are tied together, this type of thing—and laid out at the curbside.

Mr Eddy: Our compliments; very good.

Mrs Thompson: On behalf of the 15 municipalities and ourselves, thank you for allowing us to come.

The Acting Chair: Next week the committee will deal with clause-by-clause on the bill. If anyone wants to get amendments in, the clerk would appreciate them getting in fairly quickly. Is there a time when the committee has agreed the amendments will be in?

Clerk of the Committee (Mr Franco Carrozza): The standing order simply says two hours before we begin, so Wednesday.

The Acting Chair: Two hours before we begin, and the committee begins on Wednesday, is that correct?

Clerk of the Committee: Thursday.

Mr Hayes: We will have our amendments in by Wednesday to give the members an opportunity to look them over and make any comments. I don't think there are any amendments that I know of from the opposition.

Mr David Johnson: You're in for another surprise. The committee adjourned at 1740.

Continued from overleaf

STANDING COMMITTEE ON GENERAL GOVERNMENT

Chair / Président: Brown, Michael A. (Algoma-Manitoulin L)

***Acting Chairs / Présidents suppléant:** Kwinter, Monte (Wilson Heights L); Phillips, Gerry (Scarborough-Agincourt L)

Vice-Chair / Vice-Président: Daigeler, Hans (Nepean L)

Arnott, Ted (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

*Fletcher, Derek (Guelph ND)

*Grandmaître, Bernard (Ottawa East/-Est L)

*Johnson, David (Don Mills PC)

*Mammoliti, George (Yorkview ND)

Morrow, Mark (Wentworth East/-Est ND)

Sorbara, Gregory S. (York Centre L)

*Wessenger, Paul (Simcoe Centre ND)

*White, Drummond (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Eddy, Ron (Brant-Haldimand L) for Mr Grandmaître

Hayes, Pat (Essex-Kent ND) for Mr Morrow

Kwinter, Monte (Wilson Heights L) for Mr Brown

Lessard, Wayne (Windsor-Walkerville ND) for Mr Wessenger

Phillips, Gerry (Scarborough-Agincourt L) for Mr Brown

Wiseman, Jim (Durham West/-Ouest ND) for Mr Dadamo

Clerk / Greffier: Carrozza, Franco

Staff / Personnel:

Franco, Tara-Lynne, assistant to the clerk

Luski, Lorraine, research officer, Legislative Research Service

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Third Session, 35th Parliament

Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 22 July 1993

Journal des débats (Hansard)

Jeudi 22 juillet 1993

**Standing committee on
general government**

**Comité permanent des
affaires gouvernementales**

**Municipal Statute Law
Amendment Act, 1993**

**Loi de 1993 modifiant des lois
relatives aux municipalités**



Chair: Michael A. Brown
Clerk: Franco Carrozza

Président : Michael A. Brown
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 22 July 1993

The committee met at 1008 in committee room 1.

MUNICIPAL STATUTE LAW
AMENDMENT ACT, 1993

LOI DE 1993 MODIFIANT DES LOIS
RELATIVES AUX MUNICIPALITÉS

Consideration of Bill 7, An Act to amend certain Acts related to Municipalities concerning Waste Management / Loi modifiant certaines lois relatives aux municipalités en ce qui concerne la gestion des déchets.

The Chair (Mr Michael A. Brown): The purpose of the committee is to do a clause-by-clause examination of Bill 7.

For the information of the committee, I understand that we have heard from every deputant who applied to the committee to be heard, and I congratulate the members on their foresight in allowing sufficient time to see that they all were heard. Members would also know that there have been some briefs presented to the committee extraneous from the actual public hearing for your examination. I'm sure that all members have carefully examined those.

Having said that, I'm happy to have the parliamentary assistant beside me. I think we will commence with the clause-by-clause examination of Bill 7. Do you wish to make any opening statements briefly?

Mr Pat Hayes (Essex-Kent): Yes, very briefly. I too would like to thank all the members of the committee and the staff for all the hard work they've put in, trying to get this much-needed bill. I appreciate everyone's input.

I think we can go through this fairly quickly; we're all very close on some of our amendments. We'll just go from there, Mr Chair, and be very efficient and productive here this morning.

The Chair: I should hope so. Mr Johnson or Mr Grandmaître, do you wish to make any opening statements?

Mr Bernard Grandmaître (Ottawa East): Let's get on with it.

Mr David Johnson (Don Mills): I won't be long. We were contemplating a general statement with regard to the whole funding issue. I don't know if there's going to be time to discuss that, but we'll limit our remarks considerably in that regard and just say that this is an issue that has come up through a number of the deputations: the overall funding issue for waste management in the future of the province of Ontario.

I would just like to go on record that we have raised this as a concern through these proceedings. A number

of the deputants have raised this as a concern. A number of the deputants have indicated that they don't see a clear process or a clear mechanism in terms of the funding of waste management in the province, and I certainly concur with that. I think it was the Association of Municipalities of Ontario that indicated that there needs to be a clear funding mechanism in place before we proceed much further in terms of the whole issue of waste management, and I would heartily concur in those recommendations.

I only hope the government takes this to mind and realizes that waste management is a very broad and extensive service. Of course, we're talking about mixed garbage, we're talking about the blue box, we're talking about yard waste collection, we're talking about hazardous waste, we're talking about white goods, we're talking about material recovery facilities, we're talking about composting plants. We're talking about major investments and we're talking about major operating costs right across the province of Ontario to meet the 50% target that the government has set by the end of this decade. That's a target that I think everyone in this room would concur with and hope that we would not only meet but exceed.

But to do that, we're going to require a very clear road map in terms of where's the money going to come from. My concern, and I think a concern expressed by many of the deputants before us, has been that the user-pay system by itself will not suffice. There will have to be a broader component including the provincial government and including the private sector.

I think I'll leave my comments at that but just say that I think that needs to be said and looked into. It's not going to be a part of this bill, obviously, but I think in the near future that issue needs to be addressed very carefully.

Mr Grandmaître: I concur with my colleague that cost is a big issue, but I find it very strange that in the committee summary of Bill 7, it is reported on AMO, "General support expressed for the legislation and no specific amendments proposed." I can't understand AMO saying this: Most municipalities are very concerned about the cost, but it seems AMO is quite satisfied with Bill 7. I just want to make sure that I'm on record that AMO is not proposing any amendments.

Mr Hayes: Very briefly—and when I say "briefly" I mean briefly, Mr Chair—when you talk about the funding, it is a very complex situation. The Minister of Environment and Energy has indicated that they will be coming forward with proposals or a plan to deal with

that particular issue of finances, so I would hope we could get on with the bill now, Mr Chair.

The Chair: Then I think we should commence dealing with the bill. To make the process work in an efficient fashion, I would hope that the government and the critics would notify the Chair if there are amendments. I have them here in front of me, but I have been known for the odd oversight, so it would be helpful if, when we get to a section where there might be an amendment being made, you could indicate that to me; it would be helpful to all the committee.

We will start with section 1. It's 208.1, but it's section 1 of this bill. I believe there are two amendments regarding "waste management."

Mr Hayes: I move that the definition of "waste management system" in section 208.1 of the Municipal Act, as set out in section 1 of the bill, be amended by inserting after "services" in the second line "owned, operated or controlled by a municipality."

This motion is intended to clarify that the term "waste management system" referred to in the legislation is a municipal waste management system and that this term does not include waste management systems or facilities owned by private waste management industry. This, as a matter of fact, was requested by the Ontario Waste Management Association and other private sector waste firms and waste generators.

The Chair: All in favour of Mr Hayes's amendment? Carried.

Mr Johnson, you have an amendment.

Mr David Johnson: I have an amendment that would modify the definition of "waste." If you have my motion before you, it says "waste" and "waste management system," but I'm accepting the "waste management" definition, so if I can amend this:

I move that the definition of "waste" in section 208.1 of the Municipal Act, as set out in section 1 of the bill, be struck out and the following substituted:

"'Waste' includes ashes, garbage, refuse, domestic waste and municipal refuse."

The reason for that is that the industrial solid waste component should be deleted from the definition of "waste" so that it is understood by all stakeholders that existing private sector waste management programs will not and cannot be expropriated or dissolved by municipal government as a result of Bill 7.

Mr Grandmaitre: We're only deleting "industrial solid waste." Am I right, Mr Johnson?

Mr David Johnson: That's right.

Mr Drummond White (Durham Centre): Mr Johnson, according to your amendment, the last clause would also be deleted, which was "such other materials as may be designated by bylaw of the council of the local municipality or, in section 209, the council of the

county," so that the definition of "waste" would be extremely limited. It would also mean that where there is an agreement between that municipality and any other entity, that their materials could not be included as waste or, frankly, be dealt with.

Mr David Johnson: We're responding to a concern put forward by the Ontario Restaurant Association that the private sector waste management programs could be expropriated or dissolved, to use their terminology. One of the problems one faces here is that it's difficult to get solid advice on these things. We're hearing from the Ontario Restaurant Association that has put forward this concern. I know they feel very strongly about it. Frankly, I'm unable to determine all the ramifications of this proposal; I have to admit that. But I know they're concerned and they feel the ramifications on their industry could be severe and that it certainly could impact on them. I'm putting forward their point of view; I guess that's the best I can say. In terms of all the impact, there may be some other negative impacts that, frankly, I haven't had the ability to get advice on.

1020

Mr Hayes: The main concern we have here is that when you take out the solid waste and other materials, for example, what would be happening with this amendment, you would be restricting the municipalities from collecting solid waste. If by chance the private industry chose not to do it, the municipality would not be able to take over, the way this is worded. That's the information we have on that. With this legislation existing, it's protection for the municipality in case it was put into a situation where private industry did not want to or could not pick up solid waste.

Mr David Johnson: I guess what that means is that it would be no worse than the situation today, that in fact municipalities would proceed and, where there's consensus, would cover and provide the services. I'm sure that's what would happen.

The best I can make out of this is that there's a concern through the private sector, particularly the restaurant associations, that they're going to be damaged by this on the one hand. On the other hand, there is some ambiguity, perhaps, if the definition is changed, about what happens if the private sector is unable to deal with it and the municipal sector needs to deal with it: Will the municipal sector feel it has the authority to do it? My guess is that they certainly will; they'll jump into the breach and fill that. My suspicion is that if the definition is changed, there really wouldn't be any negative impact, that this would work, but perhaps the government has a different interpretation.

Mr Hayes: The thing is, if the municipality doesn't have the authority then the situation would get worse; it would not stay the same. What we are doing in this piece of legislation is in fact giving the municipality that authority in case the need arises.

Mr David Johnson: At any rate, I don't think there's much more I can say. Maybe we should just have a vote. I realize not all the votes are going to win.

Mr Wayne Lessard (Windsor-Walkerville): I think that most of the people who came before us expressed some concern with respect to the possibility that the definition of "waste management system" may include the private waste management industry, and I think that with the amendment to "waste management system" we've already passed, it really deals with those concerns without any further amendments to the definition of "waste." I think the concerns that were expressed by the private sector industry have really been satisfied to a great extent by that first amendment.

Mr David Johnson: On that, the only thing I'll say is that the private sector is not homogeneous. There are different aspects of the private sector. Specifically, there are private sector companies such as Laidlaw, WMI and perhaps OWMA as well, in a sense, that are looking at the disposal end of it. They're concerned about the waste management and particularly disposal.

Then you have the Ontario Restaurant Association, for example, and the Canadian Restaurant Association. They're not concerned so much about the disposal; they're concerned about the waste they put out, so they're concerned about the front end of it.

I wouldn't say we've got 100% of the story, but from what we've been able to ascertain, there's a certain group in the private sector that is concerned about the "waste management" definition, and there's another group in the private sector that's concerned about the definition of "waste." The Ontario Restaurant Association falls into that category. They're not so much concerned about waste management, it's the definition of "waste."

At any rate, I put it forward. I think we should just vote on it.

The Chair: Shall Mr Johnson's amendment to section 208.1 carry? Opposed? It's lost.

Shall section 208.1 carry as amended? Carried.

Section 208.2, an explanation, Mr Hayes. It's not an amendment, it's a section just standing.

Mr Hayes: No amendment.

The Chair: We still generally require an explanation.

Mr Hayes: It says the municipality may pass bylaws to establish, maintain and operate a waste management system and it's giving the municipality authority—

Mr Derek Fletcher (Guelph): It speaks for itself.

Mr Hayes: Thank you very much.

Mr Grandmaître: How come there are no amendments?

The Chair: Shall section 208.2 carry? Carried.

Section 208.3: I notice we have an amendment adding

a section down at (j), but maybe we can deal with (a) through (i) initially.

Are there questions, comments or amendments to clauses 208.3(a) through (i)? Discussion?

Shall subsections 208.3(a) through (i) carry? Carried.

I have a government amendment adding a section (j). Mr Wiseman would like to move that.

Mr Wiseman (Durham West): I move that subsection 208.3(1) of the Municipal Act, as set out in section 1 of the bill, be amended by adding the following clause:

"(j) establish a public liaison committee in accordance with the terms of the certificate of approval or provisional certificate of approval issued under part V of the Environmental Protection Act to provide a forum for the exchange of information concerning the operation of landfill sites in the local municipality."

Essentially, this amendment arises out of concern that I've heard in my own local community with respect to the operation of landfill sites that may or may not adhere to the certificates of approval and the Environmental Protection Act. It arises out of a tradition that seems to be developing both in the Environmental Bill of Rights and within the certificates of approval that have been issued lately in that public liaison committees have been established.

When I asked both AMO and the OWMA about whether they would be in opposition to this type of an amendment, they both indicated that they would not be in opposition to it. In fact, I remember Nancy Porteous-Koehle saying it would be very difficult for any landfill sites anywhere to be established in the absence of a public liaison committee.

What this amendment does is allow the local municipality to establish one if a need arises or if the local residents establish that a need has arisen. I think this amendment will give some satisfaction to a local municipality that may have imposed on them a landfill site counter to the wishes of their council but imposed on them through the other parts of this bill, which is the Ontario Municipal Board.

I think that if they have some forum at the local level whereby they could be assured that they would have some input into the management, or some monitoring of the management of the landfill site, they would rest a little more comfortably than if this amendment had not been there.

That's why I've moved it and I would ask all members to support it.

1030

Mr Grandmaître: A very brief question. Will this read, "shall establish a public liaison committee" or "may"?

Mr Wiseman: It reads:

"208.3 (1) The power under section 208.2 includes the power to,...

"(j) establish a public liaison committee in accordance with the terms of the certificate of approval...."

In other words, the choice rests with the local council to do so.

Mr Grandmaître: Very good.

Mr White: I want to commend my colleague for bringing forth this amendment. It's a very substantive and important one that would enable local citizens to have a voice in these significant issues affecting their communities. I know he certainly has participated in and had a long involvement in the struggle over these issues in his community.

The concern I have here is the fact that it is permissive. I'm wondering if in the legislation that power would be assumed at the local level or at the upper-tier level. When it refers in section 208.2 to the municipality having those powers, does that mean, in the normal confluence of events, that this power would reside with the local municipality even while the upper-tier municipality had the site selection?

Mr Wiseman: Yes, it would. Clearly, the last line in the amendment reads "operation of landfill sites in the local municipality." I believe this amendment would allow the local council to establish a public liaison committee.

Mr Hayes: What this would actually do is allow the upper tier or lower tier, whoever has the authority—whoever has the responsibility could set up the committee. So if it's the upper tier, it would be the upper tier that would do that.

Mr David Johnson: I guess I have a couple of views. I think municipalities have the authority to set up committees now at any rate. This is sort of indicating I guess, through this bill, that they can do things they can already do, which is not necessarily bad, but it's a little bit superfluous.

Secondly, I think we're talking about—correct me if I'm wrong; maybe this is a question—a certificate of approval, a provisional certificate. This would mean when the possibility of a landfill site to be located within a municipality is being contemplated. Is that what this is for? When a landfill site is being contemplated within a municipality, then there would be a citizens' committee that could be organized by the municipality?

Mr Wiseman: It could be then or it could be after the landfill site is up and running.

Mr David Johnson: Of course the reality is that all sorts of citizens' groups form by themselves and they don't necessarily want to be directed by government either. In many cases they want to be independent of government so that they feel that perhaps they're a little bit more objective in terms of reviewing either the

operation of landfills or the siting of landfills. That's one thought that occurs to me.

Beyond that, I assume there's no mention of funding, so am I to assume that this committee would not have any access to funding except that the municipality could choose, I suppose, to fund it?

Mr Wiseman: Yes.

Mr David Johnson: But there's no mandatory funding of the committee if it's set up. There's no mention of what authority the committee has, so I presume the committee only provides a forum perhaps, as is stated here, but has no authority to do anything other than discuss issues, debate them perhaps and raise them with its local council.

Mr Wiseman: That would depend on what the certificate of approval would allow them to do. Also, their mandate would be determined by the council as to how far they would be able to go with their input. There are some certificates of approval that allow the committee to recommend changes to the way the landfill site is operating.

One of the things that this would allow is enough flexibility for the local residents to be able to participate and to respond to local and to what might be unique problems or circumstances, because not all landfill sites have the same problems and therefore you can't flesh it out to the extent that I think you're asking about.

Mr David Johnson: I'm just trying to make clear that (a) there's no mandatory funding and (b) the authority is not fully stated here, so I assume that this sort of committee would have no specific authority other than to make recommendations, but it has no veto power or it has no authority that would be assumed by municipal councils today, for example.

Mr Grandmaître: It's an advisory.

Mr David Johnson: Advisory, yes, that's the word.

Mr Wiseman: It's an advisory, yes. You can call it a whole scope of things, but what its real power would be would be either within the certificate of approval or within the mandate given to it by the municipalities.

Mr David Johnson: Could you explain further what you mean that it would have power within the certificate of approval?

Mr Wiseman: If the certificate of approval for the landfill site says that there will be a public liaison committee and it will have the following powers to do (a), (b), (c), (d) and (e), then those are the powers that it will have.

Mr David Johnson: But that would be pertinent to each individual certificate of approval.

Mr Wiseman: That's right.

Mr David Johnson: So it would be up to the authorities to determine that.

Mr Wiseman: But what this allows a municipality

to do is, if the landfill site is perhaps not operated properly or if there is residential questioning about the operation of the landfill site, it gives the municipality the power to create this public liaison committee after the landfill site is up and running.

Mr David Johnson: I think the only other question I had was, there is of course an environmental process that takes place now. What authority would this liaison committee have within the environmental process that takes place? Again, would that be as designated through the certificate of approval?

Mr Wiseman: If I understand this, you're asking me prior to the establishment of the landfill site and going through the environmental assessment process.

Mr David Johnson: That's right. There are public hearings, various groups, citizens' groups come forward, municipalities have various obligations under the Environmental Protection Act to hold public hearings and that sort of thing. What role, through this amendment that you're placing today, would this liaison committee play in that structure that's already set up?

Mr Wiseman: I don't think that it would hold any more special status than any other group that comes before the Environmental Assessment Board to put its presentation forward. The role that it could play outside of the environmental assessment process is to act as a vehicle for transferring information back and forth as a neutral third body, some kind of committee to try and smooth out the bumps that are in the process.

It doesn't have any special authority to say, "You're going to do this," or "You're going to do that." If the residents and the council want it, it becomes a vehicle by which people can have input into the management and the operation of a landfill site if they feel, for example, that it is not managed properly.

If there is no public liaison committee and nobody wants one, then that's fine, but should a problem arise—the problem at Brock West is the example I use—then the local residents can say to the council, "You have the power to establish a public liaison committee and we're asking you to do it," and if the council decides they want to do it and go that route, then that's fine, that's still their choice. It signals to them that they have the right and the power to do that.

Mr White: I'd like to go back to my earlier point. Mr Wiseman seemed to offer a different explanation than I understood from the parliamentary assistant, and that is in regard to who would hold the powers under 208.3. I understood from the parliamentary assistant that it would be the municipality that was in fact establishing the landfill site, the waste disposal system, so whether it was the upper-tier municipality or the local municipality.

I wonder, with the amendment, if we would not have the same level of government establishing a public

liaison committee that had in fact established the dump site, which would make it rather unusual for that level of government to commission that committee.

1040

Mr Wiseman: I share Mr White's concern. I originally envisioned this amendment to allow the local council, whether it established the landfill site or not, to be able to respond to the needs of its local community and to establish this public liaison committee. It came as a little bit of a surprise to me at this point that this was not the case. I would be interested to hear from legal staff how we could amend this to allow the local municipality to do that.

Mr White: If I might, my question actually was for the parliamentary assistant and legal counsel, just as Mr Wiseman's presently is.

Mr Scott Gray: My name is Scott Gray. I work for Municipal Affairs, legal branch. The discussion that has taken place is correct. The way it's fitted into the section, this is a power of the level of government that is responsible for disposal at any point in time. If you wanted it to apply simply to lower-tier, you'd have to remove it from 208.3 and have kind of a standalone provision that said a local municipality has this power.

Because the general power is to assume any waste management power, you'd have to—actually, the easiest way to deal with this—I'm just thinking out loud now—is maybe to put it in there and just say, subject to what Lucinda has to say in this, that an upper-tier, under its assumption power, can't assume that particular power. So just say that the power under clause (j) of this section cannot be assumed by the upper-tier by bylaw.

Mr White: I would wonder at this point if the other committee members would agree we could withdraw this particular amendment, bring it back perhaps this afternoon so that it can be appropriately applied at the right section, and if the other committee members would at least tentatively agree to reopen that section so that it could be addressed at that time.

The Chair: Mr White has asked for unanimous consent to stand down this amendment by Mr Wiseman. Do I have unanimous consent?

Mr White: Till this afternoon.

The Chair: Agreed.

We will now deal with subsection (2) of 208.3.

Mr Hayes: There are no amendments.

The Chair: Shall subsection 208.3(2) carry? Carried.

Shall subsection 208.3(3) carry? Carried.

Subsection 208.3(4)? Carried.

Subsection 208.3(5)? Carried.

Subsection 208.3(6)? Carried.

We have stood down the amendment to clause 208.3(1)(j), so we cannot carry the section until we deal with that.

Section 208.4? Carried.

Subsection 208.5(1): Mr Johnson?

Mr David Johnson: I guess we're there.

Clerk of the Committee (Mr Franco Carrozza): No, yours is on subsection 208.5(9). You're adding a new subsection.

Mr David Johnson: Subsection 208.5(9)? It's adding a new one. So you're going to go clause—

The Chair: We'll go one by one.

Clerk of the Committee: It's subsections 208.5(1) through 208.5(8), and then it goes to 208.5(9).

The Chair: Shall subsection 208.5(1) carry? Carried.

Subsection 208.5(2): Questions, comments or amendments to subsection 208.5(2)?

Interjection.

The Chair: The parliamentary assistant has suggested that we go up to subsection 208.5(8). Are there questions, comments or amendments to subsections 208.5(1) through 208.5(8)? Shall those subsections carry? Carried.

Now, Mr Johnson, we have your amendment.

Mr David Johnson: The amendment I have is to add subsection (9).

I move that section 208.5 of the Municipal Act, as set out in section 1 of the bill, be amended by adding the following subsection:

"Limitation

"(9) This section applies only to land in respect of which waste management services are provided by the municipality."

The Chair: Would you offer an explanation of the need for this amendment, Mr Johnson?

Mr David Johnson: I would like to offer an explanation, but I don't have it here.

Mr Wiseman: Perhaps I could offer an explanation.

The Chair: Well—

Mr Wiseman: Why I will oppose it.

The Chair: Order. Mr Johnson has the floor.

Mr David Johnson: Can I stand it down for a minute?

The Chair: Maybe Mr Wiseman's explanation of why he opposes it will enlighten us as to why you're for it.

Mr Wiseman: The effect of this amendment would be to exempt land owned by private waste haulers from the process of being inspected and evaluated by municipalities for the use of landfill.

Interjection.

Mr Wiseman: This is not the section?

The Chair: If you're speaking to the incorrect section, then you're not helping Mr Johnson.

Mr Wiseman: That's right.

The Chair: Mr Johnson, do you know?

1050

Mr David Johnson: The information I have, and I'm trying to make it jibe with the exact amendment, is that it's a concern advanced by the Ontario Restaurant Association. Their concern is that municipalities would be able to impose a blanket property assessment based on property rather than usage.

I think the concern here is that the restaurant association, for example, and indeed I think other private individuals, would be concerned that the user-pay system could be extended not in terms of usage, but it could be assigned to properties. Certain businesses, such as restaurants in particular, don't want to be double charged. They don't want to, number one, pay for a private collector to cart away their garbage and then find out that the user-pay is applied against the property as opposed to the garbage that they actually put out.

So they think that if you want a user-pay system, that's fine, but don't charge double, and this amendment would address that situation. This amendment, as I understand it, would mean in a sense that the user-pay system could be assigned against those who use and those who put out garbage, but it couldn't be doubled up in the sense that it couldn't be assigned against a property, as opposed to the amount of garbage that you put out.

Mr Hayes: I can understand Mr Johnson's concerns, but the problem is that by having this amendment, it would restrict the municipalities from levying—or to put it another way, restrict them from making a decision on how they will finance their waste management systems. In fact, what this would do would actually limit them to just doing it by user fees. That's what this amendment would do.

Mr David Johnson: Do you recognize the concern of the private sector that they could get double-billed? The staff might wish to offer some advice on this.

Mr Hayes: They might.

Mr David Johnson: They're prepared to go along with the user-pay system; they just don't want to get charged twice. They're concerned they'll get charged once against the property and once because they'll be paying through a private collection.

Mr Satish Dhar: I am Satish Dhar. I'm senior policy adviser with the Ministry of Municipal Affairs.

The way the system works today in the legislation is that municipalities can charge a general levy against all property for all services. The user-pay section of the bill which deals with waste management would only allow a municipality to charge user fees for the services it's providing. So these are two different things altogether.

Mr David Johnson: Can you point out where in the bill that it's that restrictive? Because that is the nub of

the concern of the Ontario Restaurant Association. I think if we can be assured that is in fact the case—and it's not the Ontario restaurants' interpretation that's the case, but if we can be assured—

Mr Dhar: Okay, 208.6 says, "For the purpose of section 208.2, a local municipality may pass bylaws to prohibit or regulate the use of any part of a waste management system." We've defined "waste management system" as a waste management system of the municipality, earlier. Then under (c) and (d) it says, the municipality can "establish incentives, including tax credits" etc. Then it says "establish...rules, fees and incentives." This only relates to the municipality's own waste management system and those who use that waste management system, which is basically the residential property.

Mr David Johnson: So it's your interpretation by redefining "waste management," as we did earlier this morning, that it no longer applies to the ICI sector.

Mr Dhar: The user fee part of it no longer applies to the ICI sector. In other words, municipalities cannot charge a user fee for the use of their waste management system on the ICI sector which is not using the system. That's what it means. Does that clarify?

Mr David Johnson: I think that halfway answers the question. If a restaurant were having its own garbage contracted out, it would not be using the municipal sector then, presumably.

Mr Dhar: They wouldn't be using it and the municipality would not be able to charge them user fees, because they have their own contractor.

Mr David Johnson: Okay. I'm satisfied with that answer.

The Chair: Does that mean, then, Mr Johnson, you will be withdrawing your amendment?

Mr David Johnson: I'll withdraw this amendment.

The Chair: Fine. Shall section 208.5 carry? Carried.

At this point, I would ask for a motion to adjourn. I think we have unanimous agreement to permit Mr Johnson to present his private member's bill in the House.

Mr George Mammoliti (Yorkview): I move we adjourn.

The Chair: Thank you, Mr Mammoliti. The committee's adjourned. I would just informally ask the members if we could get here as quickly as possible after routine proceedings this afternoon.

The committee recessed from 1057 to 1522.

The Chair: The standing committee will come back to order. This morning we dealt with sections up to 208.5 and we've carried all those sections. I'm at the instruction of the committee on whether we want to go back at this point and open up the section we stood down, clause (j) of 208.3. Is it the agreement of the

committee that we complete that section at this point? Agreed.

We've had some discussion on that. Mr Wiseman, do you have any further discussion on that amendment?

Mr Wiseman: Yes. I'd like to add to that amendment.

The Chair: What do you mean, you would like to add to that amendment? We have to deal with (j) unless you're intending to amend (j). I understand you have an additional amendment to that section.

Mr Wiseman: Yes.

The Chair: We will deal with that after we deal with (j).

Shall clause 208.3(j) carry? Carried.

Mr Wiseman, you have an additional amendment to that section?

Mr Wiseman: I move that section 208.3 of the Municipal Act, as set out in section 1 of the bill, be amended by adding the following subsection:

"Local power to remain

"(1.1) Despite this or any other act a local municipality may exercise the power under clause 208.3(1)(j) whether or not a county, metropolitan, regional or district municipality or the county of Oxford has assumed any waste management power."

This section allows the local municipality to create a public liaison committee under the Environmental Protection Act, part V, should it desire to do so and should it perhaps want to participate in or to be able to monitor what is happening with a landfill site that has been located in its municipality or, actually, any other.

Mr Chris Stockwell (Etobicoke West): What would prohibit them from doing that regardless?

Mr Wiseman: It's not a question of prohibiting them. It's a question of giving them the power to do so if they choose to do so.

Mr Stockwell: Then I'll rephrase the question. Why would this give them any more power than they already have?

Mr Wiseman: What it does is it allows them to be responsive to their community needs.

Mr Stockwell: I understand all that stuff, but having sat on council, they can strike committees as they see fit. It would seem to me that any council could strike a committee made up of citizens surrounding this kind of landfill issue and have it report to council or committee, regardless of whether this is in there or not. Would that not be a fair statement?

Mr Wiseman: If I understand this correctly, and I'm using Pickering as an example, because Pickering is the host to Metro's garbage dump and has had some problems with it that we don't need to get into at this point, the local residents have constantly been frustrated

in terms of trying to create a committee or get access to the dump in order to make sure that the certificates of approval and the Environmental Protection Act have been carried out. And they also have been frustrated by a local council that would not do this and a regional council that flatly refused to do this.

Mr Stockwell: No, I understand the motives.

Mr Wiseman: What I'm trying to do here is clearly outline that this power is available to the local council for it to do so. It's very specific.

Mr Stockwell: Mr Chair, I'm not going to argue the point on the merits. I read this carefully. It says, "may exercise the power...whether or not a county, metropolitan, regional or district municipality or the county of Oxford has assumed any waste management power." I don't want to bog down legislation, because this seems like a rather obvious thing that any council can do regardless. If they're going to do it, they'll do it; if they're not going to do it, nothing is going to force them to do it with this amendment, because the word clearly is "may." If they're not going to strike this committee, they're not going to strike it.

My only point would be that cluttering up legislation—it seems that this would be that kind of cluttering up that takes place, thereby selling somebody a bag of air. Really, if the local council doesn't want to strike a committee, there's nothing in here that says it is forced to strike a committee.

Mr Ron Eddy (Brant-Haldimand): Mr Chair, in the way of clarification, under legal challenge or appeal to OMB, if there's not specific authority for a municipality to do something, then it can't do it. Most municipalities are very, very concerned about having the specific authority to do whatever they want to do or decide to do.

1530

Mr Hayes: This amendment is really what it reads; it's permissive. You hear all kinds of arguments about the senior governments coming down on the local governments, and what this is saying to the municipality is, "You have the right to do this and we're encouraging you to do so." I think it's a very good amendment.

The Chair: Shall Mr Wiseman's amendment marked (1.1) carry? Carried.

Shall section 208.3, as amended, carry? Carried.

Next is subsection 208.6(1). Shall 208.6(1) carry? Carried.

Shall 208.6(2) carry? Carried.

Mr Mammoliti has an amendment.

Mr Mammoliti: I move that section 208.6 of the Municipal Act, as set out in section 1 of the bill, be amended by adding the following subsection:

"(3) A by-law of a local municipality passed under this section applies only to a waste management system

of the local municipality."

This motion clarifies that municipalities can only regulate the use of their own system and not the system owned by other levels of municipal government or the private waste management industry.

This change was requested by the OWMA. Some private sector waste firms and waste generators also expressed concerns that this section would give municipalities control over private waste. In addition, Metro Toronto and Ottawa-Carleton pointed out that this section could be construed to allow lower-tier municipalities to regulate an upper-tier system or vice versa.

If you remember, the mayor of North York was in front of us as well recently, and I believe this particular amendment would certainly address most of the concerns he and his colleagues at the North York level had mentioned that day.

The Chair: Shall Mr Mammoliti's amendment to section 208.6 carry? Carried.

Shall section 208.6, as amended, carry? Carried.

Shall section 208.7, subsections (1), (2) and (3) carry? Carried.

Section 208.8, subsections (1), (2), (3), (4): Is there an amendment? We'll deal with subsections (1) and (2) first. Shall 208.8(1) and (2) carry? Carried.

We have a Conservative amendment, I believe, to subsection (3).

Mr Stockwell: Let me find it.

Mr Mammoliti: Do you want me to read it for you?

Mr Stockwell: Yes, go ahead, George.

Mr Mammoliti: We withdraw that, Mr Chairman.

Mr Stockwell: Good one. I haven't got it. Okay. Withdrawn. I haven't got it.

The Chair: Questions or comments on subsection (3)? Shall subsection (3) carry? Carried.

Subsections 208.8(4), (5) and (6)? Carried.

Shall section 208.8 carry? Carried.

Section 208.9.

Mr Hayes: You have a Conservative amendment here.

Mr Stockwell: Withdrawn.

The Chair: Shall section 208.9 carry? Carried.

Section 208.10: Questions, comments or amendments?

Mr Stockwell: If we have any, we'll let you know.

The Chair: Thank you, Mr Stockwell.

Shall section 208.10 carry? Carried.

Section 208.11? Shall 208.11 carry? Carried.

Shall section 1 of the bill, as amended, carry? Carried.

Section 2.

Mr Stockwell: Section 1, as amended, carried?

The Chair: Yes.

Section 2: Shall 2(1), (2) and (3) carry? Carried.

We have a government amendment to subsection 2(4).

Mr Hayes: I move that subsection 209(10) of the Municipal Act, as set out in subsection 2(4) of the bill, be struck out and the following substituted:

“Exclusive jurisdiction

“(10) If a county has assumed the power for providing services or facilities for any part of a waste management system, no municipality under a similar or equivalent power and no person shall, within the participating local municipalities, provide services or facilities of the type authorized by the powers assumed by the county without the consent of the council of the county, which consent may be given upon such terms including the payment of compensation, as may be agreed upon.”

The Chair: I know you're looking forward to making an explanation of that amendment.

Mr Hayes: Why sure. This motion clarifies that if a county assumes a waste management service then anyone, private operator or another local or upper-tier municipality, wishing to establish a waste management service of the type the county has assumed must obtain the county's consent.

For instance, if a county has assumed landfill authority, then anyone wishing to establish a landfill site must obtain the county's consent. Similarly, if a county has assumed authority over 3Rs facilities, then anyone wishing to establish a 3Rs facility within the county must obtain the county's consent. This section, as drafted, could be interpreted to mean that county consent was only required for local municipal waste management facilities and not for private or upper-tier management facilities.

1540

Mr Stockwell: It's clear as mud, actually. What if there is presently one operating—local.

Mr Hayes: You mean if there's already one—

Mr Stockwell: Operating.

Mr Hayes: —whether it be private or—

Mr Stockwell: Yes.

Mr Hayes: If it's a private one, I don't believe that this would even affect that, would it?

Mr Gray: No, it's—

The Chair: If you wish to respond, introduce yourself for Hansard.

Mr Eddy: It's not only private, it's locally operated. Local municipal.

Mr Gray: My name is Scott Gray, legal services branch. It isn't in these amendments, but the next subsection grandfathers all existing facilities. You do

not need consent to continue anything that's already in existence. This just applies to future facilities.

Mr Stockwell: Fine.

The Chair: Shall Mr Hayes's amendment carry? Carried.

Then we have, I see, another amendment from Mr Hayes, to subsection 2(5).

Mr Hayes: I move that subsection 209(10.1) of the Municipal Act, as set out in subsection 2(5) of the bill, be struck out and the following substituted:

“Exception

“(10.1) Despite subsection (10), a person may, without the consent of the council of the county, provide services and facilities for the collection or removal of waste from non-residential properties and residential properties containing more than five dwelling units.”

This motion would provide that in addition to collection of waste, removal of waste would also not require county consent. The Canadian Polystyrene Recycling Association indicated that its members are not in the waste collection business and they have agreements with companies to remove some of their recyclables. They feel that the addition of the word “removal” in the exemption clause would ensure that their activities would also be exempt from the consent provision of this bill.

The Chair: Shall Mr Hayes's amendment carry? Carried.

Mr Hayes, you have another amendment.

Mr Hayes: I do. I move that the bill be amended by adding the following subsection:

“(5.1) Subsection 209(11) of the act is amended by striking out ‘without interruption’ at the end and substituting ‘to be used for that purpose.’”

The Chair: Could we have an explanation?

Mr Hayes: This motion would enable a service or facility which was in operation when the county assumed responsibility for the service to operate without county consent as long as it continued to be used for this purpose. Bill 7, as worded, would only allow such a facility to be operated without county consent as long as it continued to function without interruption. The motion would bring the provision into line with the wording used for the continuation of a legal non-conforming use in land use planning. The words have been interpreted by the courts and are therefore better understood.

The Chair: Shall Mr Hayes's amendment carry? Carried.

Shall subsections (6), (7), (8), (9) and (10) carry? Carried.

Shall section 2, as amended, carry? Carried.

Shall section 3 carry? Carried.

Shall section 4 carry? Carried.

Section 5: Questions, comments or amendments to section 5, I guess section 149?

Mr Stockwell: Section 5?

The Chair: Just in section 149.

Shall section 149 carry? Carried.

Section 150: I believe we have a government amendment. Mr Mammoliti will put it.

Mr Mammoliti: I move that section 150 of the Regional Municipalities Act, as set out in section 5 of the bill, be struck out and the following substituted:

"150(1) A regional council may pass a bylaw to assume any or all of the waste management powers for all of its area municipalities.

"(2) If the members of a regional council are directly elected, a bylaw shall not be passed or repealed under subsection (1) unless,

"(a) a majority of all votes on regional council are cast in its favour; and

"(b) a majority of the councils of all of the area municipalities have given their consent by resolution to the passing or repealing of the bylaw.

"(3) If the members of a regional council are not directly elected, a bylaw shall not be passed or repealed under subsection (1) unless,

"(a) a majority of all the votes on the regional council are cast in its favour; and

"(b) at least one regional council representative of each of a majority of the area municipalities, other than the chair, votes in its favour.

"(4) For the purposes of this section, the members of a regional council are directly elected if none of the members, other than the chair and heads of council of area municipalities, are also members of the council of an area municipality."

The Chair: Thank you, Mr Mammoliti. I'm sure you're looking forward to explaining your amendment.

Mr Mammoliti: Yes, whatever that meant.

This motion would require that when regional municipalities with direct elections—Metropolitan Toronto and Niagara, for example—wish to assume a waste management function from their local municipalities, they need a double majority, namely, a majority vote on the upper-tier council and a consent of a majority of the local municipalities. Bill 7 requires a majority vote on the upper-tier council to enable the upper tier to assume a waste management function from its local municipalities by requiring consent of the local councils. The proposed change would give added protection to local municipal interests.

This change was requested by the cities of Etobicoke and North York. More specifically, I think this tackles

almost head on the issue that the mayor of North York and of course the city of Etobicoke had requested in terms of an amendment. I think most of their concerns have been dealt with through this amendment and it was pretty easy to understand.

1550

Mr Grandmaître: Why double votes?

Mr Mammoliti: The staff?

The Chair: Mr Hayes, do you want to answer the question?

Mr Grandmaître: I'm sorry, I'll take it back. I didn't mean it.

Mr Hayes: There was a lot of fear or whatever you want to call it from some of the municipalities that one upper tier could just automatically make decisions on their behalf. This really ensures that the majority of the members on Metro—this really says here that four out of the six would have to vote in order to make the decisions on waste management. It's what was requested by the various municipalities, to protect, where one doesn't dominate over the smaller ones or gang up on one municipality.

Mr Grandmaître: I think Mr Stockwell's explanation was much better than yours, Mr Parliamentary Assistant.

Mr Mammoliti: If you remember and if you looked deep into Mr Lastman's suggestions, you would find that one major recommendation he was making, and one concern that North York had, was that it's afraid Metro would implement things that perhaps North York might not necessarily agree to, and it wanted something put in this piece of legislation that might help give area municipalities a little more say, and that's why you need the double vote.

Mr Stockwell: I don't want to be a dog in the manger on this, but I'm going to be. The problem I have with this issue is not so much the way its structures are stated here. I understand the rationale that Mel Lastman uses, as well as Bruce Sinclair and those other mayors of other municipalities, as well as the local councils. Their concern is whether Metro can make a decision that impacts them when it comes to landfill issues.

The difficulty we have is that this duly elected council of Metropolitan Toronto was done by the electorate. If we're going to start making these kinds of quasi-constitutional arguments, in essence, four out of six, with a member being from each local municipality etc etc, you're into a hornet's nest in my opinion. Where does this begin and where does this end? When does Metro get decision-making and when does Metro not get decision-making?

Let me make a point also, very clearly. As I read this, and George, you may correct me if I'm wrong, you suggest there's got to be a member from each local

municipality who supports it who is not a mayor or not a head of council. Let me tell you something: It's going to put incredible powers on one person that should not be bestowed there, and the argument can be made.

At Metropolitan Toronto council, East York, besides the mayor, sends one representative, so in fact that member from East York council controls all decision-making on waste management, because he is the only member from East York council. York council is similar. It only sends two members. One of its members is the chairman, Alan Tonks, and the mayor. Both of them are excluded. So that person also carries all the decision-making when it comes to landfill issues for all of Metropolitan Toronto; one representative from East York and one representative from the city of York. To me, I don't think that's how it was designed. I'm not criticizing you, but upon implementation, that's what's going to happen.

Mr Mammoliti: Chris, I think you're still in your Metro mode, with all due respect.

Mr Stockwell: I may be.

Mr Mammoliti: I think you need to listen to what the local politicians are saying in terms of local representation. If you were to go back into your community and ask your constituents whether or not they would want their local representatives to have more of a say in what's determined, I think you'll find that they'll say yes, they're in favour of that. While I don't want to be seen as criticizing you, I think this would be an approach that local people might want, and for that reason, I would agree with it.

Mr Hayes: Just to try to clarify, what this amendment is doing is initially allowing Metro to assume the waste management. Once that is done, it gives Metro the power to be able to continue to operate waste management. After it assumes the power to do this, it doesn't have to go back to those municipalities for approvals. So that makes it a little different.

Mr Stockwell: I need some clarification. When they're making decisions on anything to do with waste management siting decisions, will these amendments be applied to the votes upon those decisions?

Mr Hayes: No. All this is doing is allowing Metro to assume control.

Mr Stockwell: Right.

Mr Hayes: After that, when they start making decisions, whether they build a recycling plant or open up a landfill, whatever the case may be, Metro will have that authority, once this is done.

Mr Stockwell: Will these apply if they want to divest?

Mr Hayes: You mean just get out of it?

Mr Stockwell: I mean, they assume powers; they can certainly divest those powers as well. Would these

same voting patterns apply?

Mr Hayes: Yes, they would.

Mr Stockwell: I guess that's the crux of my argument here. The decision to get into the landfill issue for all of Metro, which is nearly three million people, is ultimately coming down to two elected officials representing the two smallest cities in the Metro area. That's really what it comes down to. You can have a 34-member council and you can have six mayors and you can have 90 local elected officials, but the bottom line is that when the decision gets made as to whether Metro Toronto divests or takes in decision-making on landfill issues, it comes down to those two people—I'll tell you who they are: Mike Colle and Peter Oyler today—deciding whether or not they agree or disagree. I really don't think that's what you meant to do, to give those two people—no?

Mr Hayes: If I may, no, that's not what we're doing. If you look where it says:

"Double majority

"(2)(b) a majority of the councils of all of the area municipalities have given their consent by resolution to the passing or repealing of the bylaw."

It's not a case where you have the regional chair and a mayor, for example. What you're looking at here is the majority of the councils in order for them to pass a bylaw.

Mr Stockwell: So Metropolitan Toronto, when it votes, it's a simple majority, yes or no?

Mr Hayes: Yes.

Interjection: No.

Mr Stockwell: I got a yes and a no.

Mr Hayes: Yes, it is.

Mr Stockwell: A simple majority in Metropolitan Toronto?

Mr Hayes: Yes.

Interjection: Four of the six—

Mr Hayes: Of Metro, and then you have to have four—

Mr Stockwell: Of the six local municipalities.

Mr Hayes: —of the six local municipalities. But I'm saying after that is done, once they assume the authority, then they don't have to keep going back for decisions. The purpose of this is to protect the individual municipality. It's also trying to make it work, where you have the upper tier or senior government being able to make decisions about this.

Mr Stockwell: Okay, I misunderstood.

Mr Hayes: That's all right.

The Chair: Shall Mr Hayes's amendment carry? Carried.

Mr Hayes has a further amendment—or it was Mr Mammoliti's amendment, I guess. I'm sorry.

Mr Stockwell: I have a PC amendment.

The Chair: Oh, fine. You have a PC amendment.

Mr Stockwell: Yes. The PC amendment is going to be renumbered, section 5 (section 150), and it'll be subsection (1.1) instead of subsection (3).

I move that section 150 of the Regional Municipalities Act, as set out in section 5 of the bill, be amended by adding the following subsection:

"Consent

"(1.1) A regional council may, with the consent of the council of an area municipality, by bylaw exempt that area municipality from a bylaw under subsection (1) but the consent is not required in respect of a repeal of the bylaw."

I think I've got agreement from the government caucus on this amendment.

1600

The Chair: Perhaps you might explain it.

Mr Grandmaître: May I be excused, then, if there's consent?

Mr Stockwell: No, I have consent from the Liberal staff.

Mr Hayes: Unanimous consent from all three parties.

The Chair: One at a time makes it a lot easier for Hansard.

Mr Stockwell: I'd like, actually, if my staff could explain it, but they're not allowed to come to the floor, so I'll ask Pat to explain it then.

This allows area municipalities—

The Chair: We have a small technical difficulty as we do this, that Mr Stockwell is not properly substituted—

Mr Stockwell: Oh, yes.

The Chair: —but that is just cleared up because Mr Johnson's just made it.

Mr Hayes: Gee whiz. We were moving along quite well here. Now look.

Interjections.

Mr Mammoliti: We threw out your motion.

The Chair: Order.

Mr Mammoliti: Chris, you did a good job, by the way.

Mr Stockwell: George, you're the best.

The Chair: The Chair will deem that Mr Johnson has proposed the amendment that Mr Stockwell had.

Mr David Johnson: This is an amendment from the regional municipality of Ottawa-Carleton. Let's see if I can just get my notes from this. I think what the regional municipality was saying is that there are all sorts of different situations in waste management. Some regional municipalities will have an excellent working

relationship with some of the local municipalities. Are you with me?

The Chair: Questions or comments on Mr Johnson's—

Mr David Johnson: I'm sorry. I just wondered. You seem to be off course here.

The Chair: I'm always attentive, Mr Johnson.

Mr David Johnson: I think what they wanted here was the flexibility, where there is mutual agreement with the regional government and the local government, to be able to establish a different procedure. That's what this amendment permits. But the regional municipality would retain the control.

If the concern here is that this is going to violate somehow the regional municipality keeping control and it's going to be a dog's breakfast, then that wouldn't be true. The regional municipality would maintain control. I just wanted flexibility to deal with circumstances where a local municipality may have expertise that a regional municipality doesn't because of the history.

Mr Hayes: We would be pleased to support Mr Johnson's amendment.

The Chair: For members' clarification, I'm just trying to point out that the numbering probably should be (1.1) and it would fit into the previous amendment that Mr Hayes has made, between (1) and (2) of the previous amendment.

Mr David Johnson: I'll take your guidance.

The Chair: Shall Mr Johnson's amendment carry? Carried.

Clerk of the Committee: The section would be section 5. Section 150, as amended by Mr Hayes, is further subamended by Mr Johnson. That would be: the section, as amended, carried.

The Chair: Carried. You do that very well.

Mr Hayes, I believe you have a subamendment.

Mr Hayes: I move that subsection 151(1) of the Regional Municipalities Act, as set out in section 5 of the bill, be amended by striking out clauses (b), (d) and (e) and substituting the following:

"(b) subject to this section, no municipality under a similar equivalent power, and no person, shall, within a participating area municipality, provide services or facilities of the type authorized by the waste management powers assumed by the regional corporation;

"(d) despite clause (c), the regional council may give its consent to a participating area municipality to provide services or facilities for the reduction, reuse or recycling of waste, which consent may be given upon such terms as may be agreed upon, if,

"(i) the facility or service was being lawfully provided by the participating area municipality on the effective date of the bylaw, or

“(ii) the facility or service handles waste generated within the participating area municipality only and the regional corporation is not, other than for its own use, providing a similar facility or service for any waste generated within the participating area municipality;

“(e) a person may, without the consent of the regional council, provide services and facilities for the collection or removal of waste from non-residential properties and residential properties containing more than five dwelling units.”

I think that was quite self-explanatory.

Mr Lessard: I'd like to hear an explanation.

Mr Hayes: Which part of it would you like an explanation on?

Mr Mammoliti: He's only joking.

The Chair: Shall Mr Hayes's amendment carry? Carried.

We'll have to go back. I unintentionally did not call (a). We'll have to deal with that and then I believe Mr Johnson has an amendment to (c).

Clause 1(a)? Carried.

Clerk of the Committee: Clause (b) has been amended by Mr Hayes?

The Chair: Yes, (b) has been amended by Mr Hayes as has (d) and (e). Mr Johnson, you have an amendment, I see, to (c).

Mr David Johnson: I'll withdraw that amendment.

The Chair: Shall clause (c) carry? Carried.

Shall 151(1), as amended, carry? Carried.

Subsection (2): We have a government amendment, I believe, at the top of page 12.

Mr Hayes: I move that subsection 151(2) of the Regional Municipalities Act, as set out in section 5 of the bill, be amended by striking out “without interruption” at the end and substituting “to be used for that purpose.”

1610

This one just complements section 5 of the bill; it actually parallels the change made to the Municipal Act and it amends section 2 of the bill by adding the subsection.

The Chair: Shall subsection (2) carry? Carried.

Shall 151, as amended, carry? Carried.

Shall section 152 carry? Carried.

Shall subsections 153(1) through (4) carry? Carried.

We have a government amendment. Mr Hayes.

Mr Hayes: I move that section 153 of the Regional Municipalities Act, as set out in section 5 of the bill, be amended by adding the following subsection:

“Non-application

“(5) This section does not apply with respect to a facility or service under subclause 151(1)(d)(i),

“(a) in the case of a bylaw assuming power under section 150 to provide that facility or service, where regional council in the bylaw gives its consent to an area municipality to provide that facility or service; and

“(b) in the case of a deemed bylaw under section 160, where the regional council on or before January 1, 1997 gives its consent to an area municipality to provide that facility or service.”

This motion would require that when a regional council gives consent to the local municipalities to continue to operate a 3Rs facility, the assets continue with the local municipality. Bill 7 would require that even though the regional council has given consent to a local municipality to continue to operate an existing 3Rs facility, the assets are vested in the upper tier.

Mr Grandmaître: Without any compensation?

Mr Hayes: What it's actually saying is that the municipality would continue to own the assets.

Mr Grandmaître: Oh, okay.

Mr David Johnson: That's what you're saying: that the local municipality owns the facility now and it stays operational at the local level and the local municipality will continue to own it after this?

Mr Hayes: Yes.

The Chair: Shall Mr Hayes's amendment carry? Carried.

Shall section 153, as amended, carry? Carried.

Section 154?

Mr David Johnson: Here again, we'd like to withdraw this amendment.

The Chair: Shall 154 carry? Carried.

Shall 155 carry? Carried.

Shall 156 carry? Carried.

Shall section 157 carry? Carried.

Shall section 158 carry? Carried.

Shall section 159 carry? Carried.

Shall section 160 carry? Carried.

Shall section 5, as amended, carry? Carried.

We're now to section 6. I see we have a government amendment. This amendment of course is a technical amendment. We need unanimous consent, then we can just vote on it once and the legal people will look after ordering the language appropriately. Mr Hayes, would you like to make the motion, if I have the unanimous consent? I do.

Mr Hayes: I move that the following provisions of the named acts, as set out in the following provisions of the bill, be amended by adding after “Municipal Act” in each case “and section 155 of the Regional Municipalities Act” and that's for sections 6, 8, 9, 10, 11, 12, 14, 15, 16, 17 and 19.

This motion would enable regional municipalities to

levy user charges on their local municipalities for waste disposal. The bill already provides regional municipalities authority to impose user charges for 3Rs facilities and collection if a regional municipality assumes collection. Existing legislation provides counties this authority at the present time. This was a request from Ottawa-Carleton to clarify this piece of legislation.

The Chair: Shall Mr Hayes's amendment carry? Carried.

Shall section 6, as amended, carry? Carried.

Shall section 7 carry? Carried.

Mr David Johnson: Where did the amendment come in with regard to directly elected regional municipalities involving the local municipalities having a say in the waste management process? That was a government amendment. We had an amendment in that regard as well.

The Chair: And you succeeded.

Mr Hayes: Both were carried, yours and ours.

Mr David Johnson: So it's already been accommodated.

Mr Hayes: Unanimous decision, with support from the member from the Liberal government.

Mr David Johnson: He's a good man.

The Chair: Going back to section 8, shall section 8.1 carry? Carried.

We have a PC amendment.

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Mr David Johnson: That amendment was to grant the local municipalities a say in the waste disposal issue. If a majority of the councils of the area municipalities representing a majority of the population of Metropolitan Toronto agree, then this would go ahead. But I understand the government amendment has already passed and it deals with this same issue.

The Chair: So I believe your amendment would be out of order, but as you have not presented it—

Mr David Johnson: I'm just again looking for a second confirmation of that fact. If indeed it has been, then I'll withdraw this motion.

The Chair: I believe it has been.

Mr Eddy: George's amendment.

Mr David Johnson: George did it?

Mr Mammoliti: You did it in less words, though.

Mr David Johnson: There was one little question. Maybe I could ask—

The Chair: Really, it would be better if—

Interjections.

The Chair: Mr Johnson, it is my belief this issue has been dealt with—

Mr David Johnson: Well, you asked me if I had a question.

The Chair: —just as you came into the room, and actually you were successful in moving your amendment to the government's amendment that really dealt with this issue.

Mr David Johnson: I'm glad to hear that. I guess I'll leave it at that. I was just wondering how the Ottawa-Carleton situation would develop, but maybe somebody can advise me again. We addressed that earlier, but I still don't quite understand it. If they want to talk to me about that afterwards, that's fine, if you want to keep moving ahead.

The Chair: It's better procedurally.

Mr Mammoliti: You're lucky you came in when you did. Stockwell was going to withdraw it.

The Chair: So it hasn't been put. You don't intend then, Mr Johnson, to put this amendment.

Mr David Johnson: I'll withdraw.

The Chair: Fine. We'll deal with 8(2). Shall 8(2) carry? Carried.

Shall section 8, as amended, carry? Carried.

Shall section 9, as amended, carry? Carried.

Shall 10, as amended, carry? Carried.

Shall section 11, as amended, carry? Carried.

Shall section 12, as amended, carry? Carried.

Shall section 13 carry? Carried.

Shall section 14, as amended, carry? Carried.

Shall section 15, as amended, carry? Carried.

Shall section 16, as amended, carry? Carried.

Shall section 17, as amended, carry? Carried.

Shall section 18 carry? Carried.

Shall section 19, as amended, carry? Carried.

Shall section 20 carry? Carried.

Section 20.1: Mr Hayes.

Mr Hayes: I move that the bill be amended by adding the following heading and section:

“COUNTY OF LANARK ACT

“20.1 Sections 13 and 14 of the County of Lanark Act, 1989, being chapter Pr12, are repealed and the following substituted:

“13. Sections 208.7 to 208.11 of the Municipal Act apply with necessary modifications to the county.”

This motion would replace the entry powers provisions contained in the County of Lanark Act with those in Bill 7. This is a request for this change from the representatives that made the presentation from the county of Lanark.

The Chair: It has been suggested to me, Mr Hayes, that essentially this amendment is out of order.

Mr Wiseman: Why is it out of order?

Clerk of the Committee: Because the act is not in this bill.

The Chair: But if I can have unanimous consent of the committee to deal with this amendment, we shall do so. Do I have unanimous consent of the committee to deal with this section? Agreed.

Shall 20.1 carry? Carried.

Section 21: Do you have an amendment, Mr Hayes?

Mr Hayes: No, section 20.2.

The Chair: Shall subsection 21(1), or is it subsections (1) and (2)?

Interjections.

The Chair: Order.

Clerk of the Committee: There is a subamendment of the government on 20.2.

The Chair: Oh, we're ahead of ourselves.

Clerk of the Committee: This would be a new subsection called 20.2, and there is also another one, 20.3.

Mr Hayes: I move that the bill be amended by adding the following heading and section:

"MISCELLANEOUS

"20.2 The definition of 'waste' set out in each of the following provisions is amended by striking out 'other wastes as may be designated' or 'other waste as may be designated' as applicable and substituting in each case 'other materials as may be designated.'"

Mr Fletcher: "Designated."

Mr Hayes: "Designated." Sorry. We'll design it later.

Is it necessary that I read all these?

The Chair: It's necessary that you read them all in.

Mr Hayes: "Subsection 126(1) of the County of Oxford Act.

"Subsection 36(1) of the Regional Municipality of Durham Act.

"Subsection 41(1) of the Regional Municipality of Haldimand-Norfolk Act.

"Subsection 34(1) of the Regional Municipality of Halton Act.

"Subsection 50(1) of the Regional Municipality of Hamilton-Wentworth Act.

"Subsection 53(1) of the Regional Municipality of Ottawa-Carleton Act.

"Subsection 32(1) of the Regional Municipality of Peel Act.

"Subsection 25(1) of the Regional Municipality of Sudbury Act.

"Subsection 40(1) of the Regional Municipality of Waterloo Act.

"Subsection 33(1) of the Regional Municipality of York Act.

"Subsection 48 of the Sarnia-Lambton Act, 1989.

"Section 1 of the County of Lanark Act, 1989, being chapter Pr12."

The Chair: It's been suggested to me, Mr Hayes, that this is also out of order, for the same reasons as the last one, but we can deal with it with unanimous consent of the committee.

Mr Hayes: If I may just explain then.

The Chair: We have agreement. Now you can explain.

Mr Hayes: This motion amends the definition of "waste" in the regional acts. Bill 7 includes in the definition of "waste" "other materials as may be designated by bylaw." The regional acts, however, include in the definition of "waste" "other waste as may be designated by bylaw." This motion would remove this discrepancy by amending the definition in the regional act, and the change of course was requested by Ottawa-Carleton.

The Chair: Shall Mr Hayes's amendment to 20.2 carry? Carried.

We're now dealing with subsections 21(1) and (2). Shall those sections carry? Carried.

Mr Hayes, you have an amendment?

Mr Hayes: I move that section 21 of the bill be amended by adding the following subsection:

"Transition

"(3) Despite subsection (2), the assessment rolls to be prepared for the 1994 taxation year shall be prepared as if section 20 was in force."

The Chair: Again, I think we're in a unanimous consent situation here. Do I see unanimous consent of the committee so that we can deal with this? Agreed.

Mr Hayes: Subsection 21(2) of Bill 7 provides that waste management facilities are to be assessed for purposes of payment in lieu of taxes as of the January 1 following the year that the bill receives royal assent. The proposed provision will allow assessment rolls to be prepared on royal assent. That's of assistance to the municipalities.

Mr David Johnson: That's not much assistance to those who are paying.

The Chair: Shall Mr Hayes's amendment to 20(3) carry? Carried.

Shall section 21, as amended, carry? Carried.

Shall section 22 carry? Carried.

I need to ask the committee for consent to have the French version made similar to the English version of this bill, now that all the amendments have been placed. Agreed.

Should the bill, as amended, be reported to the Legislature? Carried.

Thank you very much. I think we have managed to get through the clause-by-clause in an expeditious

manner. We have managed over this period to hear all deputants who wished to be heard. The committee should be commended. I would especially like to thank the clerk and the research staff for compiling the information for us under rather unusual circumstances. I would think: the fact that we are now sitting in July. We managed to order the business of this committee in

a way such that everything happened. I think that's somewhat astounding under the circumstances and I would thank the subcommittee for their assistance in making sure that happened.

The committee is therefore adjourned. The committee will sit at the call of the Chair.

The committee adjourned at 1635.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

***Chair / Président:** Brown, Michael A. (Algoma-Manitoulin L)

Vice-Chair / Vice-Président: Daigeler, Hans (Nepean L)

Arnott, Ted (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

*Fletcher, Derek (Guelph ND)

*Grandmaître, Bernard (Ottawa East/-Est L)

*Johnson, David (Don Mills PC)

*Mammoliti, George (Yorkview ND)

Morrow, Mark (Wentworth East/-Est ND)

Sorbara, Gregory S. (York Centre L)

Wessinger, Paul (Simcoe Centre ND)

*White, Drummond (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Cunningham, Dianne (London North/-Nord PC) for Mr Arnott

Eddy, Ron (Brant-Haldimand L) for Mr Daigeler

Hayes, Pat (Essex-Kent ND) for Mr Morrow

Lessard, Wayne (Windsor-Walkerville ND) for Mr Dadamo

Wiseman, Jim (Durham West/-Ouest ND) for Mr Wessinger

Also taking part / Autres participants et participantes:

Dhar, Satish, senior policy adviser, local government policy branch, Ministry of Municipal Affairs

Gray, Scott D., solicitor, corporate resources management, Ministry of Municipal Affairs

Stockwell, Chris (Etobicoke West/-Ouest PC)

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Mifsud, Lucinda, legislative counsel

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**Legislative Assembly
of Ontario**

Third Session, 35th Parliament

**Assemblée législative
de l'Ontario**

Troisième session, 35^e législature

**Official Report
of Debates
(Hansard)**

Thursday 29 July 1993

**Journal
des débats
(Hansard)**

Jeudi 29 juillet 1993

**Standing committee on
general government**

Subcommittee report

**Comité permanent des
affaires gouvernementales**

Rapport de sous-comité

Chair: Michael A. Brown
Clerk: Franco Carrozza

Président : Michael A. Brown
Greffier : Franco Carrozza



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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 29 July 1993

The committee met at 1003 in room 151.

SUBCOMMITTEE REPORT

The Vice-Chair (Mr Hans Daigeler): Seeing that representatives of all three parties are here, I call the meeting of the standing committee on general government to order for the purpose of considering the report of the subcommittee.

Since the Chair was present at the subcommittee, and I'm the Vice-Chair and I wasn't present, perhaps the clerk of the committee could give us the report. I understand you have the report in front of you. Perhaps the clerk could explain how the discussion went and what we need to do at this point.

Clerk of the Committee (Mr Franco Carrozza): Just to bring everyone up to date, yesterday afternoon the Legislature transferred Bill 17 from the finance committee to the general government committee, so that now we can officially discuss the bill. Yesterday afternoon the subcommittee met on both bills. It came to a number of conclusions on them and made the recommendation to the full committee.

I'd like to bring your attention to the report. The subcommittee decided on Bill 17, because the time was short, to have a direct mailing list instead of advertising. The lists were given to the clerk. They are being looked at to find the addresses. I hope my office will be able to mail them this afternoon or, at the latest, tomorrow. There will be no advertising.

The committee will meet during the week of August 16 to August 19. The subcommittee also discussed the ministry giving a briefing to the committee and having the minister make a statement, so the agenda will look this way.

At 2 pm, the minister will make a statement for 20 minutes followed by both critics. Each will have 20 minutes. At 3 o'clock, the ministry will give the committee a briefing that will last from 3 pm to 5 pm. There will be public hearings beginning on Tuesday, August 17, from 10 till 12 and from 2 to 5 and also on Wednesday, August 18, at the same times.

The subcommittee also recommended that each witness be given 20 minutes, and it also recommended that there will be 10 minutes for presentation and 10 minutes for questions, or if they wish to use the whole 20 minutes, the subcommittee was quite flexible and it hopes the committee will also be quite flexible on this.

There will be clause-by-clause consideration of the bill on Thursday, August 19, from 10 to 12 and from 2 to 5.

They also realize, because of the shortness of time and a direct mailing, that the Chair will have more authority to set the agenda in consultation with the subcommittee.

That is the first part of the report on Bill 17.

They also met and discussed Bill 40. They came to a number of recommendations: that the bill be reviewed the weeks of August 23 and August 30; that on Monday, August 23, from 2 pm to 3 pm, there will be a minister's statement for 20 minutes followed by the critics for 20 minutes each. At 3 to 5 pm there will be a briefing by the ministry.

Then on Tuesday, Wednesday and Thursday, that would be August 24, 25 and 26, there will be public hearings beginning from 10 to 12 and from 2 to 5. Again, the subcommittee recommended to be flexible. As there are more groups than the time allows, perhaps we should expand the time to 5:30 or 1:30 in the afternoon of Monday.

The following week again on Monday it will be from 2 to 5, that's August 30, and on Tuesday will be from 10 to 12 and 2 to 5. That is the last day of the public hearings.

There will be two days for clause-by-clause. That will be September 1 and 2. The times will be from 10 to 12 and 2 to 5.

The committee also recommends that the witnesses be given 20 minutes: 10 minutes for presentation, 10 minutes for questions. Again, in the spirit of flexibility, the subcommittee recommended that the Chair, in consultation with the subcommittee, will decide, if they are umbrella groups or there are special groups the committee wishes to see, that they could expand the time for them.

The committee decided to have advertising of Bill 40. It will be done on August 6, which is a Friday, and it will be in all the dailies in the province in English, and in French, *Le Droit* in Ottawa. The deadlines they recommended will be Friday, August 13, for oral presentation and Friday, August 20, for the written presentation.

The committee realizes this is an important bill, and it made the recommendation that it would travel to communities, if numbers indicated or were sufficient for the committee to travel. It decided on Kingston or Ottawa, Windsor and Sault Ste Marie. Again this would be based upon the availability of venues in these communities.

Mr Ron Eddy (Brant-Haldimand): I don't know if I should wait till the end or not.

The Chair: Please.

Clerk of the Committee: Here again the subcommittee decided to be flexible. They were not sure which day and they allowed the Clerk to find out the venues for us so we can make a recommendation.

Mr Chair, I am finished.

The Vice-Chair: Any comments? Mr Johnson.

Mr David Johnson (Don Mills): I think everything is 100% perfect, except for one minor thing. What we agreed on in clause 4 of Bill 40 was that we would travel to Kingston or Ottawa, London or Windsor and Sault Ste Marie.

The Vice-Chair: So we should add London?

Mr David Johnson: So if you add "London or Windsor," that's what we actually decided. Other than that, as far as I can see it's perfect.

Mr George Mammoliti (Yorkview): I think it was Windsor or London.

Mr Jim Wiseman (Durham West): My only comment would deal with, if we do fly to any of these places, that we select a transport company that has planes that are slightly a bit more comfortable than the one we used when we were doing the Bill 143 hearings. I don't mean that in the sense that I'm looking for comfort. It's just that—

The Vice-Chair: I'm sure you're not looking for first class, but just normal—

Mr Wiseman: I just want it to be class, that's all.

The Vice-Chair: I'm sure the clerk will do his best.

Mr Wiseman: Our legislative researcher will be able to fill you in on the details of those flights, and I think all of the committee would thank me for this recommendation if they knew what we flew in.

Mr Eddy: Not on the record, though.

Mr Wiseman: Not on the record.

The Vice-Chair: Okay, I think the clerk has heard those remarks. As I indicated, I'm sure he will do his best to accommodate those concerns. Mr Mammoliti.

Mr Mammoliti: I think it's important to mention as well that there might be a possibility, from what I can gather, that we may have to leave on a Sunday if need be.

The Vice-Chair: That is routine—

Mr Mammoliti: Well, it's not routine for me.

The Vice-Chair: It is routine, in my experience, frankly, as a member, that these requests would happen from time to time.

Are there any further comments on the proposed schedule for the hearings and for the sessions of this committee? If not, can I have a motion to adopt the report of the subcommittee?

Moved by Mr Eddy, seconded by Mr Johnson. All in favour? Agreed.

I understand from the clerk that there's another motion that the committee would like us to pass. They felt they should be a little more flexible in terms of the membership of the subcommittee, that sometimes members of the subcommittee are critics and they're in the House and it's difficult to call them into a subcommittee and there should be more flexibility to name representatives, from their own caucus obviously, to take their place on the subcommittee.

I think you have in front of you a motion, and if the motion is clear, if somebody would care to move it. I understand that the names to be filled in are the ones that are currently on the subcommittee. I think it's Mr Grandmaître for the Liberals, Mr Arnott for the Conservatives and Mr Mammoliti for the government.

You're moving that, Mr Mammoliti?

Mr Mammoliti: Sure I am.

Mr David Johnson: Just a question. This pertains to both Bill 40 and Bill 17, does it?

The Vice-Chair: Well, no. This has nothing to do with either of these bills. It's just a general motion as to who can sit on the subcommittee for the purposes of arranging the discussions of the committee.

Clerk of the Committee: Just to clarify with you, Mr Johnson, you see, yesterday you would have required, as Mr Eddy gave me, a substitution form. This motion will remove that. It will permit you to substitute on the say-so of your own Mr Arnott.

Mr David Johnson: But is it only Mr Arnott that I could substitute?

Clerk of the Committee: No, no.

The Vice-Chair: No. As the motion says, anyone, as long as it's somebody from your caucus.

Mr David Johnson: Okay. All right. I'm just reading this for the first time here. So Mr Cousens, for example—

Clerk of the Committee: Yes.

The Vice-Chair: That's correct, anyone. Like the last line—

Mr David Johnson: Oh, I see. I didn't get down to that. "Any member," all right.

The Vice-Chair: —"who is of the same recognized party."

Mr David Johnson: Good.

The Vice-Chair: Mr Mammoliti has moved this motion. Is there any further discussion? All in favour? Carried.

Is there any other matter before the committee at this point?

Clerk of the Committee: No. I just draw to your attention the advertising that will be placed and a copy of the letter which will go on Bill 17 to the invitees.

My only other item, if I may, if the members have

any other lists that they wish to give to the clerk regarding Bill 44—

Mr Wiseman: Just a reminder that the second paragraph, you would want to put “London or Windsor” in there.

Clerk of the Committee: Yes.

The Vice-Chair: That was noted before.

Clerk of the Committee: It will be noted. I will do that right now.

The Vice-Chair: Seeing that there’s no further business before the committee, the committee now stands adjourned. I look forward to seeing you on August 16. Thank you very much and have a good day.

The committee adjourned at 1015.

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Arnott, Ted (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

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White, Drummond (Durham Centre ND)

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Eddy, Ron (Brant-Haldimand L) for Mr Grandmaître

Hayes, Pat (Essex-Kent ND) for Mr Dadamo

Wiseman, Jim (Durham West/-Ouest ND) for Mr Morrow

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Richmond, Jerry, research officer, Legislative Research Service

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Assemblée législative
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Troisième intersession, 35^e législature

**Official Report
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(Hansard)**

Monday 16 August 1993

**Standing committee on
general government**

Capital Investment
Plan Act, 1993

Chair: Michael A. Brown
Clerk: Franco Carrozza

**Journal
des débats
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Lundi 16 août 1993

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STANDING COMMITTEE ON GENERAL GOVERNMENT

Monday 16 August 1993

The committee met at 1402 in the Humber Room, Macdonald Block, Toronto.

CAPITAL INVESTMENT PLAN ACT, 1993

LOI DE 1993 SUR LE PLAN D'INVESTISSEMENT

Consideration of Bill 17, An Act to provide for the Capital Investment Plan of the Government of Ontario and for certain other matters related to financial administration / Loi prévoyant le plan d'investissement du gouvernement de l'Ontario et concernant d'autres questions relatives à l'administration financière.

The Chair (Mr Michael A. Brown): The standing committee on general government will come to order. The business of the committee today is to deal with Bill 17, the Capital Investment Plan Act. We are fortunate this afternoon to have with us the parliamentary assistant, Kimble Sutherland.

Mr W. Donald Cousens (Markham): We'd be more fortunate if we had the Treasurer here.

The Chair: The agenda will be as follows: Mr Sutherland will make a statement followed by the two opposition party critics. Mr Sutherland, would you like to begin.

Mr Kimble Sutherland (Oxford): Thank you, Mr Chair. Let me say it is a pleasure for me to be here on behalf of the Minister of Finance. The Minister of Finance would have been here, but he is away on a vacation that had been planned for a long time and, given all the things that have gone on, I think probably a well-deserved vacation.

As I say, it is a pleasure to be here and to provide some opening remarks regarding the Capital Investment Plan Act. Let me say at the outset that I will not be taking the full 20 minutes that has been allocated. I hope to take much less than that.

In February of this year the Premier announced a new framework for strategic capital investment as part of the government's economic renewal strategy. This new framework will facilitate investment of about \$6 billion in the province's infrastructure as a result of a partnership of municipalities and the private sector with the government of Ontario.

The capital investments, which will be sustained through the province's Jobs Ontario initiative, will create about 60,000 jobs by 1996 and over 100,000 jobs by its completion in 10 years. The emphasis on infrastructure investment is a key part of the government's economic renewal strategy as outlined in the April 1993 throne speech.

The Capital Investment Plan Act, 1993, is a crucial

component of the capital investment framework and the 10-point economic plan to strengthen our economy and support jobs.

The bill establishes three new crown corporations: the Ontario Transportation Capital Corp, the Ontario Clean Water Agency and the Ontario Financing Authority. It renews the Ontario Land Corp as a crown agency called the Ontario Realty Corp.

The crown corporations responsible for handling the province's investments in transportation, water and sewers, and the province's real estate holdings will be able to use new financing techniques, including private-sector partnerships and joint ventures. Where appropriate, the corporation can recoup costs through charges to users and levies on those who benefit financially from the projects.

This will spread the costs and benefits of capital projects more fairly and will make sure that money is being spent effectively, thereby reducing costs to the taxpayer.

Finding new ways to finance projects is vital for a strengthened, competitive economy and the creation of jobs.

The crown corporations will be created as schedule 4 corporations with demonstrable accountability features. Government will appoint the board of directors, and staff will be appointed under the Public Service Act.

The legislation is clear about roles and responsibilities of the corporations and the government. Government retains policy roles. This is a fundamental provision ensuring corporations are not operating in a vacuum or for their own interests. The corporations' activities will be monitored and the public will have access to annual reports and audited statements.

The bill also enables universities, hospitals and school boards to gain access to loan-based financing for capital projects. Converting capital grants for transfer partners into loans allows Ontario to account for capital expenditures in a more businesslike fashion and ensures greater stability of funding, which will allow for better long-term planning and budgeting; capital costs that will more closely match benefits realized over the life of the assets; fairer interprovincial comparisons, since many other provinces have a similar approach; and a better planned and more consistent approach to capital spending.

Ontario's new approach to capital spending and adoption of loans-based financing will encourage efficient and more cost-effective operations. Infrastructure development and the entrepreneurial partnerships

that this bill provides will lay the foundation for a strong and competitive future for all Ontarians.

More jobs will be created and capital projects vital to preserving the economic strength of the province will be completed sooner.

The government has put forward the legislation and will also be putting forward several motions to amend the Capital Investment Plan Act, 1993:

1. Section 13 will be amended to specify that the Provincial Auditor or another auditor appointed by the Lieutenant Governor in Council annually audit subsidiaries of a corporation.

2. A minor housekeeping change in subsection 33(7) to add the word "unrestricted" before the word "power" in the eighth line to ensure that hospitals can undertake loans-based financing.

3. Subsection 47(2), related to tolls on highways, is amended to clarify that only new highways or extensions will be tolled, the kinds of expenses covered by tolls and the intent to remove tolls when liabilities have been discharged.

4. Section 56: Deletion of this provision would remove legal authority for the Ontario Clean Water Agency inspectors to enter upon private lands in order to carry out the agency's mandate.

5. Subsection 121(7) will be amended to ensure that separate school boards can undertake loans-based capital financing without significant time delays.

Those are my opening comments. I believe after opposition comments we'll be having a technical briefing and Barbara Stewart, who's the executive coordinator for the project, will lead us through that briefing.

Mr Gerry Phillips (Scarborough-Agincourt): I look forward to learning more about the bill. I think first I'd say that we, as we've said throughout the debate, see some merit in portions of this. I think there is some merit in the sewer and water corporation, the roads corporation, in terms of looking at some creative new ways of ensuring we have adequate infrastructure.

I guess the issues we'll want, hopefully this afternoon, some help on are that—I think our first concern is the risk that we're running up a lot of new debt. The bill, I think, envisions funding school, college, university and hospital capital in a new way. As I look at it, the thing just continues to run up debt, not on the government books, but on school board books and on hospital board books and on college books. The numbers I've looked at suggest that in five years they'll have a debt close to \$3 billion in new debt on their books, off the province's books. But the province has the sole responsibility for paying that off and it never gets any smaller; it just keeps growing every year.

I want to know the benefits to the public of doing that, because it's not clear to me there's a benefit to the

public in the debt being on the school boards' books, with the province having the sole responsibility for paying it off. That's what the parliamentary assistant called loan-based financing.

1410

As I look at the sewer corporation, it looks like there's a similar provision for the province to continue to provide to the sewer corporation similar loan-based financing. I would like, I guess, in response maybe a 5-year and a 10-year financial plan of what the province will owe to the sewer corporation on these loan-based finances, because this is not how a corporation would deal with capital; it would depreciate its assets and fund its capital in a different way. As far as I can see, we are simply going to continue to build debt in these areas.

I think the third concern would be the Ontario Financing Authority. It's not clear from the legislation what the benefits are, and I hope we will hear that this afternoon, the benefits to the public in the Ontario Financing Authority, but I gather it's going to assume responsibility for the debt of the province. According to the legislation it's off the consolidated revenue fund, and I guess I'd like to hear from the staff on what the advantages of that are.

The realty corporation already, I gather, has bought from the province it looks like about \$600 million worth of land. They've given the province, I gather, \$600 million, or at least that's the number I see in the budget. I'm not aware of any land having been sold and I'd like to hear a little bit about what the plans are for government buildings moving to the realty corporation. I assume, for example, this building could end up in the realty corporation and then the province simply leases it back.

Again, I'd like to see the advantages of that, because my fear is, as the province has already done—it has taken \$600 million worth of revenue from "just a paper transfer of land from the province to the Ontario Realty Corp." No land has been sold, the province has taken \$600 million worth of revenue, and I'm afraid that—maybe the Provincial Auditor can be helpful to us tomorrow to make me feel less worried about this. I'm afraid that we are distorting our financial picture by these paper transfers of land, and then we're going to transfer, I gather, government buildings into the realty corporation and then lease them back.

The fourth thing I would appreciate some comment from the staff on is just, I gather we're setting up four new or revised schedule 4 agencies here. As I read schedule 4 agencies, they're arm's length. They are not part of the consolidated revenue statement. There will be, I gather, staff moved from the consolidated revenue numbers over into the schedule 4 agencies, and I guess I'd like some comment on the numbers of staff that the government sees moving over to there. I guess I'm less confident about—either these are arm's-length agencies

that do have independence or they're not. The way I read schedule 4 agencies, they're supposed to be independent, arm's-length agencies, and I'd like to know, are they independent agencies?

As I say, on the sewer and water one and the transportation one—and I know there will be many presenters who will speak in favour of it—I think the committee will want to know how we are going to fund these things in the future. I guess they will be funded partially through what you called loan-based financing and then funded through some form of charge against water.

But I think we should know what is envisioned here, both from residential costs and also I guess the business sector may want to have some indication of whether industries that rely heavily on water are looking at any substantive changes in their water rates or not, just because I would think water is as important to some industries as electrical power or power is to other industries. I think we should have some idea of how this is likely to impact both the residential sector and the business sector.

I wanted to simply raise several of the questions that we will want some discussion on.

I might say that the government has tabled four or five amendments today. One of our challenges is probably going to be Thursday; we will have just completed hearings on Wednesday. I would serve notice that we will have difficulty in incorporating, and the government may have difficulty incorporating, the testimony in any possible amendments for Thursday. I don't know how we work our way around that, but I would hope the committee would allow all of us, the government and the two opposition parties, to be somewhat flexible in not having our final amendments in first thing Thursday morning, before we've had a chance to hear the debate that many in the audience would be providing us over the next two days.

Those were my comments. I don't know whether you had anything you wanted to add, Ben.

Mr Bernard Grandmaître (Ottawa East): Yes. I realize what the government is trying to do. They're trying to find creative ways to finance capital investment.

My biggest concern at present with Bill 17 is the transfer partners: municipalities, school boards, and colleges and universities. How can municipalities be really interested? Right now they're accusing the government of downloading some of our provincial responsibilities. I'm just wondering if we're going to create more competition among our "have-not" and "have" municipalities. Some municipalities at the present time are very concerned, as Gerry pointed out, that they need new work to be done, renovations to bridges, to schools, municipal infrastructure. I know the

federal government is not interested in participating in a joint program with municipalities and the provincial government.

So now my biggest concern is that we will permit municipalities and school boards to indebt themselves and, as pointed out by the previous speaker, what are the advantages? What are the real advantages? These expenditures will not be shown on the provincial financial tally sheet at the end of the year; they'll be on somebody else's back. It's going to look good for this government, because it's going to say: "Look, we've cut back. We're asking everybody else to restrain their expenses."

I don't know what the government has done in terms of consultation with AMO and our school boards in the province of Ontario. I'm sure a lot of them will like it, but municipalities with reserves—there aren't too many in the province of Ontario right now, but we do have school boards and municipalities that do have reserves. Are we creating some unfairness to smaller municipalities, especially in northern Ontario, where 75% of our municipalities are unorganized? How will these small municipalities compete against the major school boards and municipalities?

I'm very anxious to hear from the parliamentary assistant or somebody from the ministry to explain to me what the real advantages are to municipalities and school boards and other institutions.

1420

Mr Cousens: I'm pleased that we have the parliamentary assistant for the Ministry of Finance with us for the hearings. I want to put on the table my disappointment that in spite of the fact that the Treasurer or Minister of Finance is having a holiday, when this was originally scheduled I think everyone had the high expectation that we would be graced by his presence. I want to put on the table my own personal disappointment that we don't have the minister here.

I know the parliamentary assistant will do his very, very best, and I appreciate that and I welcome that, but I know that in the end, the decision will rest with Mr Laughren. I hope the parliamentary assistant will have access to the minister in case issues are raised during these hearings and other amendments are to be brought forward or that he's been given the authority to act accordingly.

We've all suffered a rather rough summer when it comes to time obligations. The fact that you're here, Mr Sutherland, the fact that the Liberals—

Mr Ted Arnott (Wellington): And newly married.

Mr Cousens: Newly married? Is he?

Mr Hans Daigeler (Nepean): Not any more.

Mr Sutherland: No, I'm still married.

Mr Grandmaître: He's spending his honeymoon at Queen's Park.

Mr Cousens: Anyway, my point was that there is an authority the minister brings to hearings such as this, and his absence will be felt. If there's any way in which you can take away that worry, I'd be very pleased.

Mr Randy R. Hope (Chatham-Kent): We'll bring a picture of him and put it here.

Mr Cousens: Bring a picture? No, no, I didn't ask for that.

There are a few issues I'd like to touch upon as it pertains to the bill. We did have a short debate in the Legislature on it.

The first has to do with the whole subject of honest accounting. It's not just a matter of looking at the numbers that will appear in different corporations; it has to do with the number of employees who will now be moved out of the Ontario government systems and then could well be within the different agencies: the Ontario Realty Corp, the water agency, the Ontario Transportation Capital Corp, and the financing authority.

How many people are going to be in those authorities? When we want to really get a sense of what the numbers are within the Ontario government structure, this could well be just a way of moving staff from the books of the government to another set of books. That also applies to the point which I think Mr Phillips and Mr Grandmaître made very well, the financial accounting and the way in which this gives the government an opportunity to cook the books. That doesn't sound like a nice way of saying it, but when you say in your own charge that the new Capital Investment Plan Act will facilitate innovative financing arrangements, that's what I call a shell game or cooking the books.

As we go through discussions on the bill and through the presentations, I'm most interested in knowing that that isn't really going to be the case. I'm anxious about the fact that this becomes another way for the government to move things out of the public eye into another inner sanctum, and by virtue of doing that it removes it from the scrutiny we would want to have. You've addressed that in part by now allowing the Provincial Auditor, in your amendment, if I read it correctly, to have some say and some purview. I think that's a good move.

I also would like to take some sense of satisfaction that you're moving another amendment on the tolls. I was about to spend some time on your section 46 or 47 in the bill, which was a very open-ended invitation for tolls. People don't think of tolls as being a tax, but tolls are just another way of taxing. The fact that you're making some amendments to remove tolls from new highways is one of the things I felt very, very strongly about in my opening remarks. I'm very pleased that someone listened to us on that one, because you really left yourselves in a position that you could have put tolls on the 401, and I don't think the people of Ontario

would be too happy with that one. I look forward to seeing your amendments a little further. The fact that you remove the toll roads as something that could be universal is a step in the right direction.

There's one thing that's worrying me, and I look forward to the presentations that staff will be giving: the competing consortia that are being put together for the Highway 407 development. I want you to somehow address, if you may and if you can in your remarks, how this is not the creation of monopolies, that this is not going to take away the opportunity of other builders, entrepreneurs or other participants who want to take part in the construction of highways and roads in the province of Ontario, especially of Highway 407. What chance do they have of participating? If they are not part of the two consortia, how else will they have a chance to participate?

I'd like to be satisfied that in anything the government is doing, it is not moving toward even more monopolies and favouritism of any one group over the other. That would be an interesting dimension, and I'll be looking for something on that, if we can, from staff.

The business of debt financing raises just a huge number of issues. The previous government, the Liberals, brought in a bill that allowed for lot levies. That was going to be the new way for school boards to finance new construction of schools.

Now that same bill has been thrown out in the York region case, against the York Region Roman Catholic Separate School Board, so the Roman Catholic separate school board in York region is unable to collect lot levies and apply them to the construction of new schools.

If in fact what is being described here is another way of raising money, does that set aside or put away that other legislation for lot levies? Is this a way of supplementing it, and how does that fit into that other legislation? This bill touches on so many things, but there isn't any doubt in my mind that we have another piece of legislation that is now in trouble before the courts. Is this meant to change it, impact it, and how will it? I will be interested in that.

A number of questions about the operation and management of the new crown corporations: I'm interested in the effect of the new capital financing plan on transfer payments as they apply both to school boards and universities. I'm interested in the cost to the province of assuming hundreds of millions of dollars annually in new contingent liabilities. I'm interested in the cost-benefits of turning the management of the province's borrowing plan over to a schedule 4 crown agency. I'm interested in the ability of the new crowns to attract joint venture partners from the private sector.

There's one other issue that underlies my concerns, and it's a trend that I don't think many people have

given much thought to: After 12 and a half years in the Ontario Legislature, I'm beginning to feel less and less capable of influencing what's going on, on the floor of the Legislature, that more and more is moving outside of the jurisdiction of the legislators to crown corporations, to other agencies, to regulations, to cabinet decisions, and that the authority and power of the Legislature is now in the process of being changed. Whether it's undermined, I'm not sure, but it is in fact changing. The role of an MPP has changed significantly. We have less power today than we did 12 years ago, and what we have today is being even further eroded.

The classic example is the Interim Waste Authority, which was established under Bill 143. When you want to ask a question of the Minister of Environment and Energy about the Interim Waste Authority you are stonewalled, because the minister will then say: "No, I have nothing to do with their decisions. They all reside in the Interim Waste Authority and they will then report to us what their decision is at the appropriate time."

With this legislation, I'm inclined to believe that when we, in our own wisdom, have questions on, for instance, the Ontario Clean Water Agency, that is an agency which will now—there's a Mr Marshall who has been appointed to head that up already even before it's passed, and I suppose that's fine because it's all going to happen—report through to the deputy minister.

Again I have a sense that a tremendous amount of power is going to be moved out of the forum of the chamber of the House in the Legislature, where legislators make the decisions, to another body. It's being moved down and out and away from. That's been the history of OTAB, the history of the IWA and now here again with this. I know if we went around the table, we could think of many other examples where the power structure is moving away from the floor of the House to other levels, to the bureaucracy and to other decision-makers. Maybe the honourable parliamentary assistant or staff would comment in some way on that.

1430

The reporting structure, which to me is repugnant in the extreme as to what I've seen at the IWA—really, really, I have nothing but anger when I think of how the government has played games with the legislators on that one. They passed Bill 143; it's now happening. I won't get on to my diversionary, but they selected 57 sites; that was the process they set. Now, in their own wisdom, they're looking at another site that wasn't on the original 57. Who can make them accountable for what they're doing or explain what they're doing? Who can understand what's happening?

It's so far removed, since it doesn't report through to the minister—at least he says he doesn't and he doesn't comment on it. I'm concerned that in the future the decisions that are made under these agencies will have some way of being accountable to someone other than

just the deputy minister or the ministerial staff, and how that will interface with the Legislative Assembly.

Those are a few comments. I could go on—

Mr George Mammoliti (Yorkview): Please don't.

Mr Cousens: "Don't." It's been such a nice summer till we came back here. It should be an interesting few days.

My final remark has to do with, how are we able to listen to the presentations—and I see that we have a very good list of presenters who want to share some thoughts and suggestions with us—how are we going to react to their recommendations and suggestions if in fact it requires amendments to be made to the bill?

What we may have to do, and this goes to you, Mr Chair, is find ways, if in fact we need more time and the House resumes—I know we won't get more time before September 26, but there may be ways in which we can address some of these other issues if they arise. I think we have to be open to the views the public has to raise, and I look forward to hearing what they have to say. Maybe my colleague has some comments.

Mr Arnott: How much time for our caucus?

The Chair: Seven or eight minutes.

Mr Arnott: I'm very pleased to be here on Bill 17 to discuss this very important legislation as it affects the province's finances. I think it strikes at the very heart of the most important issue in the public's mind today, that is, the issue of public debt, public indebtedness.

I think you can make a public interest argument that the public interest is better served if the awareness is high of the public indebtedness problem. Every step that we can take to better inform people of the amount of money they are on the hook for, whether it be nationally, provincially or locally, I think we're well serving them. I dare say the government, having gone through this tortuous social government process, should support that, knowing full well that steps had to be taken to address the compensation issue of the public sector because we just couldn't afford to continue to pay the amount we were paying.

I think that argument should be appealing to them. We have got to find ways to better inform people of the level of indebtedness that they find themselves in. My question is, does this bill do that?

This bill talks about innovative accounting, innovative financing. The Premier has used that line of thought to try and promote this bill; so has the Treasurer. Well, to be blunt, one person's innovative financing is another person's crooked accounting. I'm not saying this bill will necessarily create a situation where accounting is crooked or where the books are to be cooked, but the potential is there. Certainly we don't have as clear an indication of the total amount of provincial public indebtedness if this bill goes through, I feel, in the direction it's going.

I think a sensible addition to this bill or an amendment to this bill would provide for, in the annual budgetary document, a listing of all the crown corporations, including Ontario Hydro, including the Workers' Compensation Board, all of those additional liabilities that we as a society provincially are on the hook for. That's something I would like to see.

Another very important issue that's just raised in this bill is that, with respect to my responsibilities as the member for Wellington, a lot of small towns and small municipalities in Wellington county were very concerned about the change from financing based on grants to financing based on loans. Many of the small municipalities, in order to provide a basic standard of public service, for example, sewage and waterworks, have required in the past provincial assistance just because they don't have enough money locally to do it; simple as that. To change that now to a system of loans will be a significant change affecting them, and I think that's an important issue the government will have to address properly.

My colleague the critic for Finance talked about the change in terms of us as legislators, and the cabinet as well, devolving power to a schedule 4 agency, once again taking another step where we're saying, "We can't look after this problem as elected people, so we're going to have to transfer it over to a crown corporation or whatever." I think, personally, that's one of the reasons—surely there are a number of other reasons—why people have lost faith in the political process and have lost faith in politicians.

But one of the reasons that has happened, that lack of trust we're all experiencing, is the fact that we've given up so much authority to other independent agencies. We still retain the authority for governing but we've lost much of the power of governing, and it's a difficult position to be in. We have the authority but we don't have the power in many cases to make the changes we feel are required, and certainly from opposition we find that in many cases.

I hope that the government will listen very closely to the presentations that are made over the next few days and will respond in an appropriate fashion, so that this bill will reflect the public interest in its final form.

The Chair: At this point I would just like to inform members that we have been able to schedule every presenter who wished to come before this committee, and you should have in front of you the information regarding all the presenters who will be before us in the next few days. I would also ask if the subcommittee of this committee could spare a few moments following today's presentation to speak about what's going to occur with Bill 40, which is next week.

At this point I'll turn it back over to the parliamentary assistant. I would suggest, though, that as we go through the technical briefing from the ministry, perhaps

with the indulgence of the committee we can move through the presentation and then deal with questions afterwards. Would that be the will of the committee? Is that the most expeditious way to deal with it?

Mr Cousens: Sometimes it's not the best way if in fact there's something that comes up, as long as someone doesn't monopolize the time. If there's a clarification, we could come back later.

Mr Hope: Remember those quotes, Don.

Mr Cousens: Having said that, I'll quickly forget it.

Mr Hope: Somebody give me a printout of Instant Hansard on that.

The Chair: Well, now, I'm not sure, Mr Cousens, but we'll attempt to go through with only minor clarifications during the presentation if those are necessary.

Mr Cousens: And you'll be the judge of what's minor and what's major.

The Chair: Of course, Mr Cousens. Mr Grandmaitre.

Mr Grandmaitre: Mr Chair, can we then ask the parliamentary assistant to give us about five minutes of the concerns raised by the opposition? Can you address those in five minutes?

Mr Sutherland: Maybe we could do it this way: If we had the technical briefing, then we do have staff here who are familiar with each of the corporations, who can respond to quite a few of the questions that were raised. If they are not able to respond to them today, then certainly they'll undertake to have those answers to us, hopefully some time tomorrow or certainly before we get into clause-by-clause.

Let me just say as a few general comments that I think the questions you raised today are certainly not new questions or new issues. You raised many of them in the House during the actual debate on the legislation, and in developing the legislation people were aware of those types of concerns. But I think, as you will see through the technical briefing and in terms of some of the responses that are being provided, many of them have been dealt with and have been addressed. I do believe there is a lot of broad support out there for the general concept, as many of you have mentioned, and there are some concerns about the specifics, as there always might be.

1440

Let me just say to you on Mr Cousens's comment, I know he's been here 12½ years and I haven't been here that long, but from all reports I certainly know that when he was part of the government, that government had a great deal of respect for the Legislature and never felt that government could be run as an executive forum or just leadership from the top. But I think what needs to be pointed out in the comments you made and the comments Mr Arnott made is the government does allot more today than it's ever done before.

There's only so much time that the Legislature can deal with all the issues. Obviously, we can't be there dealing with every specific issue that comes out of every agency, every crown corporation, every ministry. We have to be able to decide and take priorities and there has to be an administrative side to carry out the functions. All of us are looking and are concerned about ensuring that we have appropriate accountability mechanisms to the Legislature. As I say, I think schedule 4 agencies, as compared to the other three, have developed new ways of having greater accountability mechanisms to the ministers and through the ministers to the House in terms of annual reports.

I should also remind the members that of course all agencies are accountable to the Legislature through the committee on agencies, boards and commissions and all agencies are also subject to the public accounts committee in terms of looking at its operations there. So those avenues continue to exist, and I think you will see that there is overall a greater accountability mechanism.

With that, I guess maybe I could turn it over to Barbara Stewart to go through the formal presentation. Then we can have some of the staff involved with each of the corporations come forward and add any additional comments and try and address some of the issues and questions that were raised.

Mrs Barbara Stewart: This presentation actually takes the better part of three quarters of an hour, so I'll try and get through it fairly quickly as best we can.

As you know, there were a number of ministries involved in preparing this bill. It indeed is quite complex and I think you would benefit from hearing from some of the staff involved in the different ministries in response to some of the questions you have raised. I hope that the presentation will cover off some of those questions. With others, we will indeed have staff available to answer some questions at the end of the presentation.

Apologies for the difficulty in seeing this presentation. I don't know; you may want to try and move seats a little bit to be able to see the overhead a little better. You do have the hard copy of the presentation in front of you somewhere, and that may be actually easier for you to follow.

Interjection.

Mrs Stewart: Do you not have a hard copy? They are available.

The Chair: Like this.

Mrs Stewart: Indeed, it looks like that. There should be plenty of copies available.

The presentation walks through a number of parts, a little bit of the economic context, some particulars and overview on the act itself, a little bit more on the roles and responsibilities and indeed the accountability features that are in the bill related to the corporations

being created. Then we'll try and spend a few minutes going through each of the corporations in terms of the mandate and scope of that corporation as outlined in the bill. I'll spend a few minutes on loans-based financing and then come back to the latest budget's presentation in terms of the actual financial commitments and financial scope of the committees involved.

With regard to the first portion, in terms of the economic context the bill is seen as a key component of the government's economic renewal policy, which is indeed related to investment in jobs and creation of economic growth and is, through that process, assisting private enterprise, including investments in infrastructure in the province.

Five areas of focus for economic renewal through capital spending include transportation, safeguards for the environment, education and research facilities, community economic development and telecommunications technology. The crown corporations being created through the Capital Investment Plan Act actually have direct contributions in the first four of those areas.

I probably don't need to say a whole lot about the importance of infrastructure development for Ontario. It's quite clear that developing infrastructure is intended to produce sustained and accelerated capital investment; job creation, particularly at an economic time of need; and strategic infrastructure improvements: earmarking and focusing infrastructure developments. Infrastructure development itself is crucial to overall competitiveness in building future economic needs and an economic base for the province in order to make Ontario an attractive location for business investment.

Ontario as an export-oriented economy requires modern infrastructure. Ontario's central location in North America certainly offers Ontario businesses an ideal situation to capitalize on market opportunities. As an example of that, total household income within one day's trucking distance of Toronto, approximately 400 miles or 650 kilometres, is higher than for any other major North American city. It certainly offers Ontario businesses ample market opportunity.

In this kind of context, these crown corporations have specific strategic objectives, the first being developing an efficient transportation system, which is vital to helping Ontario businesses compete in those North American markets. New highways construction is an example. The new Highway 407 and widening of the Queen Elizabeth Way can certainly have significant impacts on just-in-time production methodologies in business.

The sewage and water services are rather fundamental contributors to planning housing developments, commercial developments, improving public health and promoting conservation of water resources.

Real property, as envisaged in the real property corporation, and the development of services to the

public sector will allow for a more businesslike orientation to the government's management of its physical assets, with clear efficiency benefits.

In total, the corporations are designed to provide for more efficient ways of identifying, developing and financing infrastructure investments. The corporations are mandated to explore new ways of financing capital, developing projects more rapidly and involving private sector partners throughout the ventures.

As we look at the Capital Investment Plan Act itself, the purpose of the act is to indeed create the vehicles that will deliver this portion of the government's capital investment strategy. The act will encompass new approaches, effective partnerships to enable corporations to access new revenues and complete projects sooner and more effectively.

In scope, the legislation covers the three capital corporations which were announced by the Premier this past February. It also creates the Ontario Financing Authority, which itself will include the Province of Ontario Savings Office. The legislation also makes amendments to what we term, unfortunately—pardon the acronyms—the USH sector: universities, school boards and hospitals. The legislation will make the amendments in those areas that will provide for loans-based financing.

Just a very brief overview of the corporations being created and indeed the mandates implicit in the legislation—and we'll come back to each of the corporations in a little more detail later: The Ontario Clean Water Agency is being developed to finance, plan and develop water and sewer works and water and sewer services and to very clearly encourage water conservation in the province; the Ontario Transportation Capital Corp is being created to facilitate the development, financing and implementation of transportation programs and systems, including transit and highways; the Ontario Realty Corp is to provide government and others in the broader public sector with real property services and improvements to real property; finally, the Ontario Financing Authority has a mandate to arrange and coordinate financing for the province for these capital corporations and for other public bodies.

The expectations in the bill created for these corporations include their ability to engage in long-term commitments for enhanced stability and certainty in capital project investment, the ability to enter into joint ventures and entrepreneurial arrangements with public and private partners, the ability to seek out alternative financing mechanisms and thereby try and reduce the burden on the taxpayers, the ability to operate in a more flexible and businesslike manner than certainly many ministries can and the ability to be somewhat more attractive to private investors to enter into joint ventures and partnerships than private investors may feel with respect to government ministries.

1450

A couple of comments on the major milestones with respect to creating the capital crown corporations: As many of the members will be aware, the legislation was introduced on May 17, achieved second reading on June 16 and is here today on August 16 for committee hearing. Pending approval from the standing committee, we're looking to head for third reading and royal assent during the fall session, and create those corporations once they have the legal entity to do so.

There has been a good deal of discussion and a number of questions related to the roles and responsibilities to some degree of the corporations, effectively to the accountability structure behind them, and I thought it would be useful to take a moment out to have a look at what the bill has to say about the roles of government vis-à-vis the roles of corporations in these new capital corporations.

As the slide portrays, there's rather clear separation of government roles from those of the corporations, and the bill clearly sets out that government will set policy for the corporations and will do so by issuing directives.

The government owns, directs and controls these crown corporations, and in legislative terms these agencies are very clearly crown agencies.

Government will appoint and remunerate boards.

Government, through various actors, will be approving the bylaws including the borrowing bylaws of these corporations. That speaks to some of the questions in terms of the accumulation of debt. That will certainly be a planned operation under the capital planning process that ministries of government are participating in.

Government will be approving the plans related to these corporations, including corporate, capital and revenue plans. Again, that will be happening through the capital planning process in government.

Government has a responsibility to monitor the affairs of these corporations and the Provincial Auditor will indeed audit the corporations. Kimble Sutherland spoke to an amendment to deal with the Provincial Auditor's responsibility with respect to subsidiaries.

The mandates of the corporations are very clearly focused on planning and implementation of government policy and capital planning strategies. The corporations will be very much involved in negotiating proposals and developing plans to be submitted to government. They will also, under their boards of directors, manage the operations of their respective corporations.

There have been a number of questions in terms of the relative sizes of some of those operations. Effectively, of the four corporations, there are two that are envisaged to be relatively large. The clean water agency will have in the order of 1,000 staff, the realty corporation anywhere between 1,300 and 1,500 staff and the other two agencies will be considerably smaller.

The financing authority will have in the order of 250-odd staff, most of whom in fact are involved in the Province of Ontario Savings Office operation, and the transportation corporation will be quite small, 10 or 15 people, very much focused on a financing mandate.

For those corporations that have operational roles, they're very clearly involved in managing those operations.

The corporation will implement the policy and plans of government. They'll manage the financial commitments and the revenue streams involved in the operations. They will be delivering services for those with delivery mandates and they'll be monitoring and reporting on their results.

Further on the roles of the crown corporations and related to the specific content of the legislation, we've detailed the common powers of some of the major actors with respect to the corporations and the exclusive provisions for the corporations themselves.

They have the powers of a natural person, subject to the limitations in the act. It's a concept from the Business Corporations Act. It basically means that the corporations can go out and undertake financial commitments, they can make arrangements and partnerships, they can take on mortgages, those sorts of aspects, again subject to whatever limitations are elsewhere in the act.

They certainly have the power to manage the affairs of the corporation, and are expected to do so. They'll be responsible for the corporation's operations. They will pass bylaws regulating the procedures of the corporations and specifying the powers and duties of officers and employees of the corporation. They'll hire staff under the Public Service Act. They can also hire contract persons, who wouldn't be under the Public Service Act, to undertake particularly time-limited types of activities.

The act prohibits the sale, lease or transfer of all of the businesses of the corporations, ie privatization. So any initiative to privatize any of these corporations would have to return to the Legislature for amendment of the act.

The corporations certainly are there to implement policy directives, and the legislation has them very clearly submitting annual reports that will include audited financial statements.

The Lieutenant Governor in Council, the specific provisions in the act: It will indeed appoint and remunerate board members, chairs and CEOs; formulate policies for a corporation; approve loans by the Minister of Finance to a corporation or a subsidiary; it has the power to change the fiscal year of a corporation should that be required; to raise loans and advances to corporations or the Minister of Finance to purchase securities and to make regulations on matters necessary to carry out the intent of the act.

The bill provides treasury board with explicit authority to approve the terms of transferring properties to corporations. That's a necessary feature to ensure that any of those planned transfers are reflected in the fiscal planning of the government. Also, treasury board would need to be involved in the creation of any subsidiaries.

By policy, Management Board would also be provided in subsidiary creation. The act provides Management Board explicit authority and expectation to ensure that appropriate employment policies and practices are followed by the corporations, and can issue directives to that avail.

I think the members are aware there is one minister responsible for each of the four corporations, so one different minister for each of the four. That minister is clearly responsible for the corporation in cabinet and in the Legislature.

The minister will approve all bylaws of the corporations, and therefore will certainly know the undertaking of the corporation. The minister can issue directives regarding the corporation's exercise of its powers and duties and can require the corporation and subsidiaries to report on any matter at any time. There are very clear reporting authorities within the act.

The Minister of Finance has a number of duties, and given the financial nature of these corporations, the Minister of Finance features relatively strongly in the act. The act provides the Minister of Finance's sign-off, a requirement to approve all bylaws that involve borrowing, issuing of securities, investing of funds, managing risk regarding financing or investment, or making commitments that facilitate the financing of others. That feature is there to ensure the possibility of coordinating the financial commitments of all of these corporations.

The act is also clear that the Ontario Financing Authority—again, apologies for the acronyms—has the mandate to arrange and/or coordinate the financing, investing etc, activities, unless the Minister of Finance agrees otherwise. So there certainly is provision for corporations to engage in those activities, but again, there's a need to coordinate that so the Minister of Finance would know where the exceptions were being made.

The Minister of Finance may require the payment of surplus funds from a corporation into the consolidated revenue fund, but again there are clear circumstances and provisions for when that provision would be exercised.

1500

The Minister of Finance can purchase the securities of the corporations and thereby invest in them as other individuals can, and there's also provision for the Minister of Finance to deduct unpaid loan instalments from other payments to delinquent public bodies if the public body agrees to that provision in advance.

The Provincial Auditor clearly has the responsibility to audit the corporations, and indeed we'll see the amendment related to providing the Lieutenant Governor in Council with the choice of having the Provincial Auditor or another auditor appointed for subsidiaries should any subsidiaries come forward.

Mr Cousens: What do you mean by choice?

Mrs Stewart: You'll see the wording of the proposed amendment, probably tomorrow. It's essentially that the Lieutenant Governor will have the option of appointing either the Provincial Auditor or an external auditor to audit the subsidiaries, but very clearly that an auditor will be appointed. The Provincial Auditor will audit the corporations. That's very clearly a part of the bill.

In terms of the overall accountability features, it's been a challenge to deal with balancing, creating an operating flexibility for these corporations, given that their mandates are to go out and develop ventures and partnerships and look at new ways of doing business, but balance that against very clear public accountability linkages.

The bill attempts to be very clear on the roles and responsibilities of the corporations vis-à-vis the government. It's very clear that the government retains the policy roles and it's rather a fundamental provision, ensuring that the corporations are operating with due regard to public policy interests.

The corporation's activities will be monitored and the public will have access to annual reports which include the financial statements of these corporations, so there shouldn't be difficulty in accessing the specifics around the types of activities and commitments that these corporations are involved in. Of course, a key feature of accountability will remain in the effective use of the powers that the bill envisages.

Just one point of clarification as we go through this: It is the intent of the government to report the number of staff related to these corporations. Once they're up and operating, that should be publicly available information as well.

A note about the role of the Legislature vis-à-vis the capital crown corporations: Certainly, it's very much involved in approval of the establishment of the corporations through this bill. There is the ability to review potential appointees to the boards of directors of the corporations through the standing committee on government agencies. One minister will be clearly responsible for the corporation and submit annual reports to the Lieutenant Governor in Council and those reports will be tabled in the Legislature.

Through those reports, the Legislature will have access to the audited statements of the corporations and the Provincial Auditor, who will audit the consolidated financial statements, will have access to the accounts of

the corporation and its subsidiaries whether the Provincial Auditor is the auditor or another auditor is.

Finally, the Legislature can certainly review the crown corporations through the legislative standing committee on public accounts and through the agencies, boards and commissions committee.

The next portion of this presentation outlines in a little more detail each of the individual corporations, the first being the Ontario Clean Water Agency, which clearly has a number of goals to protect public health, protect the environment, attract investment to Ontario and create employment.

The Ontario Clean Water Agency will accomplish these kinds of goals by assisting municipalities to plan, develop, finance and operate water and sewer works and services; promoting water conservation and demand management; supporting provincial policies on land use and settlement; negotiating partnerships with municipalities and private sector; and developing area-wide projects.

The agency will be self-supporting and will have five basic business streams, two of which are operational and three of which are more financial.

On the operational side, the Ontario Clean Water Agency will operate one third of the water and sewer plants in the province, much as the ministry currently undertakes. It will also help municipalities plan, design and construct water and sewer facilities.

On the financial side, the business streams include making direct investments and providing loans for the provision of water and sewer works, negotiating partnerships with the private and public sectors and administering the municipal assistance program.

The Ontario Clean Water Agency has a mandate for cost recovery and full-cost pricing. The agency itself will be self-supporting. It will recover its costs from its clients, will operate as a commercial enterprise and will develop partnerships with municipalities and the private sector. The structure involved will attempt to make the corporation competitive.

Municipalities are provided the authority to charge local service rates to local users, as they already and currently do. They have that authority now.

With respect to municipalities, the Ontario Clean Water Agency exists to serve municipalities. The agency is available to provide water and sewage and related services to client municipalities on a cost-recovery basis.

The municipalities are not obligated to use the services of the agency. It's not a monopoly. If municipalities have more cost-effective or more effective ways of providing that service, either on their own or through other partners, they're certainly entitled to pursue those.

As I mentioned before, the agency will indeed operate plants where there's an agreement to do so with

the municipality, and the agency will take over from the ministry that responsibility to operate virtually a third of the water and sewer plants in the province.

The agency will also continue to devolve plants back to municipalities when municipalities are ready and able to operate their own, and that's a continuation of a mandate in the operation that the ministry has been pursuing for some time.

The Ontario Clean Water Agency will promote water efficiency through the operation of water and sewer plants and by providing technical services to municipalities on the provision of the same kinds of services.

The Ministry of Environment and Energy is currently out consulting with municipalities on the new financing system. There were a couple of questions raised about the level of consultation. In the municipal sector, the new municipal assistance program is out for open consultation now right across the province. I think over the last week and the current week there were a number of meetings scheduled to debrief municipalities on the new system and obtain feedback etc.

Through the new financing system, the Ontario Clean Water Agency will make loans for eligible projects. The loans would be amortized over the life of the project. Annual grants to the municipality would be provided through the Ministry of Municipal Affairs to cover the yearly principal and interest costs of the Ontario Clean Water Agency loans.

The municipal assistance program, which is a revision of the old water and sewer capital grants program, has been designed to respond to provincial priorities and to municipal needs. Through it there will be promotion of regular maintenance of existing technology in plants, of water conservation, of the optimization of existing systems and of good environmental and land use planning, including the development of area-wide schemes that may serve several municipalities.

1510

In terms of activities envisaged for 1993-94, just a couple of parameters: Under the Jobs Ontario program, the province will be investing some \$258 million in the upgrading and construction of new water and sewer facilities throughout the province, and that's a commitment over three years. Of that \$258-million commitment, more than \$90 million will actually be spent in the current fiscal year to support 120 projects, and there are estimates that this activity will put some 2,800 people back to work.

The second corporation, the Ontario Transportation Capital Corp, will indeed provide financing for transportation programs and for projects such as rapid transit and provincial highways. It will be facilitating the development and implementation of such programs and projects and related resources envisaged through transportation systems.

The corporation will have a focus on developing private sector partnerships and ventures, and in seeking new revenue sources, including beneficiary-pay as a concept that's being exercised through some of the recently announced transit projects and tolls on Highway 407, as examples. The corporation will be focusing on producing efficiency in the delivery of transportation infrastructure, seeking to reduce ultimate total expenditures and provide services on a more rapid or timely basis.

There were some questions over the past several months in terms of how the corporation will repay its indebtedness. Indeed, there are a number of potentially applicable sources for repayment for the transportation corporation. Third-party contributions such as the beneficiary-pay concept, toll revenues, the best use of surplus lands to generate repayment and the potential for earmarking transportation related revenues, such as fuel taxes, drivers' licences etc, are certainly possible under the legislation. Any operating shortfalls after exhausting those above sources would be met by the government through the consolidated revenue fund.

There are a number of questions about the use of tolls. Just a very short note on the criteria used for tolling, the decision leading to tolling the 407: Clearly, under the legislation the decision to put a toll on a highway is the government's decision, not the corporation's. Tolls in the case of Highway 407 will be used to permit innovative financing and accelerated construction of Highway 407.

Some of the principles behind that choice: Highway 407 is a new facility, not an existing highway; there are several non-tolled facilities that parallel the 407, so the travelling public will have a choice in terms of which routes it takes; and tolls will be used only to pay for the specific costs of 407, they won't be used to offset the costs of other types of investment or operating expenditures etc of different ministries etc.

The Ontario Realty Corp is being created to provide the government in its programs and others with real property services and improvements, to hold, manage and finance new government accommodation, and it'll be involved with government in having government clients pay rent to the corporation for accommodation services.

Its specific roles will be in developing and marketing surplus government properties, those that have been declared surplus to the program and service needs of government. It'll also finance, hold and manage all the lands and buildings related to government accommodation in its programs, and that includes this building and the Macdonald Block.

It will have a role in optimizing the value of real estate investment and a role in bringing strict accountability to the use of accommodation space. It will be empowered to provide a broad range of services,

from leasing, lending, acquisitions etc through appraisals, administration and codevelopment.

The financing of real property will be within its mandate by raising funds with direct or indirect Ontario Financing Authority involvement through third-party financing. Those kinds of arrangements could include mortgages, debentures, sale or leaseback arrangements, backed by the value of the real estate asset.

Mr Cousens: Under your third point, to provide a full range of services, would that include developments like Markham East? Would that come under this corporation rather than the ministry?

Mrs Stewart: I believe that is the case.

Mr Cousens: You don't know?

Mrs Stewart: Yes, it is the case. If you have further questions on that, Mr Cousens, we'll probably take them up afterwards. We have a couple of people here from the Ontario Realty Corp, from the Management Board secretariat.

In terms of property acquisition and the selling of surplus assets, another area where there were some questions previously, real estate assets will include those properties that have been declared surplus to government's program needs, existing accommodation properties to be managed and future accommodation properties to be constructed.

Surplus properties involve a variety of lands across the province, from farm land sold for compatible agricultural use, to vacant urban sites to be developed for housing, commercial and/or institutional uses. The Ontario government would indeed identify the surplus assets to be sold, not the corporation.

Some of the key activities that will be undertaken by either the land corporation that's currently in existence or the realty corporation later this fiscal year—indeed, the realty corporation will continue with the development and marketing of surplus properties that the Ontario Land Corp is currently involved with.

The plan outlined in the budget that Mr Phillips made earlier reference to would have the realty corporation financing, acquiring and holding or managing \$250 million of government of Ontario office buildings in the current fiscal year. Indeed, there were some \$350 million of assets addressed in last fiscal year. The \$600-million figure that Mr Phillips was quoting earlier would be the combination of those two.

The realty corporation would be financing capital projects for the Ontario government relocation program to help promote infrastructure investment and jobs through that avenue.

The fourth corporation, the Ontario Financing Authority, has a number of roles, including the arranging and coordinating of the financing of the province, its capital corporations and public institutions in the most efficient and cost-effective manner possible.

The act provides that when necessary the financing authority would act as an intermediary between the financial markets and the crown corporations and public institutions.

The financing authority would coordinate the borrowing, financing and short-term investments of funds and financial risk management activities on behalf of the province, its crown corporations and public institutions.

It would provide efficient and centralized cash and liability management for the province and its crown corporations.

It would operate the Province of Ontario Savings Offices.

Where appropriate, the financing authority could pool the financing requirements and issue debt in its own name and lend the proceeds on to its clients.

1520

The results expected to be achieved by these kinds of activities: Probably most importantly, the centralization of financial management through the financing authority will help reduce any duplication of effort on finance-related activities and provide the financial expertise for the crown corporations and the province to access international capital markets, a rather refined expertise.

It's expected that the authority will be providing stable long-term sources of funding for capital projects by employing some of the new financing tools, that it will help conserve on the provincial credit by limiting the use of the provincial guarantee and seeking other financing sources, and that it will achieve operational efficiencies through centralized financing and cash management.

Further, the financing authority is expected to minimize the borrowing costs through coordinated debt management, to obtain benefits of liquidity, timing and market access in terms of capital markets management, and it will expand the financial services currently provided by the province to crown corporations and other constituencies.

Finally, the inclusion of the Province of Ontario Savings Office in the Ontario Financing Authority will facilitate the introduction of new financing instruments through that delivery vehicle.

There have been a number of questions related to loans-based financing and in terms of why that financing technique is being undertaken. Some of the responses and answers relate to the government moving to a more equitable financing method that will more closely match the capital costs of capital facilities with the benefits they generate; so a mapping of time frames, where the costs indeed are financed over the same period in which the benefits are accruing. The loans-based financing system will bring greater stability and certainty to funding for a number of capital pro-

jects. Loans-based financing allows the government to sustain the investment levels and create jobs in a financially trying period. Ontario is moving, again, to a more comparable basis with other provinces that undertake the same sorts of financing vehicles, and the loans-based financing is hoped to reduce the distortionary effects of capital investment on the deficit by reflecting that investment over the period in which the asset is in use.

The kind of mechanisms envisaged under loans-based financing: The change to loans-based financing is being done at no additional cost to the recipient. The government will be providing the recipient, through its operating budget, the annual repayment instalment of principal and interest. Indeed partners will face no additional cost and there's no new net debt being created.

Some of the specific implications of this loans-based financing to, as we term it, the USH sector, the universities, school boards and hospitals: The fiscal plan announced in the 1993 budget clarified the capital investment strategy, including a shift from capital grants to loans, and under this loans-based financing approach, universities, colleges, school boards and hospitals will receive their provincial capital funding in the form of loans from the Ontario Financing Authority. The amounts that were envisaged in the 1993 budget are displayed on the table, for a total of \$608 million as reported in the 1993 budget.

Implications for the USH sector: The capital expenditures by government and its transfer partners will generate economic and public service benefits over an extended period. These benefits are critical during cyclical economic downturns and to support sustained economic recovery.

While the provincial debt for capital corporations will be transferred to universities, school boards and hospitals, so will the revenue streams for their repayment. Again, there will be no additional costs to those recipients, and they'll be provided the repayment stream by the appropriate ministries.

The USH sector partners involved in these changes were consulted on these plans in the fall of 1992, and as I mentioned earlier, municipalities are being consulted right now on the new municipal financing program envisaged for the Ontario Clean Water Agency.

Just a final note in terms of implications for municipalities, which are impacted primarily by the water and sewer corporation's activities but also to some degree by the transportation capital investment undertakings: Again, the use of certainly the services of the clean water agency is optional for municipalities, and their traditional borrowing mechanisms are still available to them. There's nothing requiring municipalities to use these vehicles. There's no additional authority being created under this legislation for dealing with traditional municipal abilities. The debt limits applying to municipalities will still apply.

The Ontario Financing Authority will make borrowing accessible to some municipalities at provincial credit rates, and transfer payments from Municipal Affairs to municipalities will cover the amounts of the loan repayment that are needed. Non-payment of a loan by a municipality, given that Municipal Affairs has provided it with the repayment stream, would create the reduction of an unconditional grant to a municipality. That kind of provision is there to give assurance to the purchasers of bonds that their investment is a worthy one.

The implementation of the water and sewer grants process will be much streamlined through the Ontario Clean Water Agency, and while this act does not provide any additional authority for municipalities to enter into joint ventures, that kind of activity is set out in Bill 40, the Community Economic Development Act.

I think we'll call an end to it there.

The Chair: Thank you, Mrs Stewart. I believe the members may have some questions regarding your presentation.

Mr Sutherland: Do we want to have the individuals from the corporations come first, or did the committee want to have questions regarding the presentation? I just thought it might answer some of their earlier questions if we have the individual representatives—

The Chair: I'm getting ahead of myself.

Mr Sutherland: It's the will of the committee.

Mr Phillips: Would we have the presidents-designate speak on their corporations? Is that your plan now?

Mr Sutherland: No. There are staff people here available to talk about each specific corporation, and some of the questions you raised earlier in response to my opening remarks they may be able to address.

Mr Phillips: How long would you expect they would take?

Mrs Stewart: I might suggest that there are probably four individuals who could come forward in turn and in a matter of five or 10 minutes, I think, can try to address a couple of the questions you raised in your opening comments and see if there are any particular follow-up questions right now, if that would be helpful.

The Chair: Does that sound reasonable to the committee, that we have the presentations from the four capital corporations now and then we'll pursue the rest of the questions following their presentation?

Mr Grandmaître: Just one short question, Mr Chair: Who can answer questions on conditional and unconditional grants to municipalities? Which corporation?

Mrs Stewart: None of the specific corporations here may be able to answer those questions. It depends on the nature of them. If there were specific questions, we'd try to answer them; otherwise, we could get hold of—

Mr Grandmaitre: When you say that unconditional grants will be reduced, this is what I was going after. When will they be reduced? And how about conditional grants? Will they be reduced as well?

Mrs Stewart: Okay. An individual from the financing authority can help answer that question. It's not envisaged that conditional grants would be reduced.

The Chair: What I would suggest is that we proceed with the individual presentations and, following that, the committee obviously reserves the right to ask people to come back to answer specific questions the members may not have found a satisfactory response to.

Mrs Stewart: If I can ask Tim Casey, who's the assistant deputy of the realty services division in the Management Board secretariat and he can respond to a couple of questions that were asked about the realty corporation. I think, Tim, the initial one related to the benefits of transferring buildings to the realty corporation and what the public benefit might be there.

1530

I think Mr Phillips asked that question. Are you comfortable with the response to the \$600 million in the budget plan, or would you like any follow-up on that?

Mr Phillips: Well, it's suspicions confirmed. Maybe Mr Casey can be helpful as he outlines what the plans are for the next few years, because my own view is that you can keep transferring government buildings in and raising paper money and putting debt over here, but it would be helpful for me to get a longer-term view of how much annually is expected to head into this corporation and how they're planning to service the debt.

Mr Tim Casey: All right. Ontario Land Corp, which is presently in place at this time, purchased about \$350 million worth of what we call surplus lands this past March. The intent at the present time as outlined in the budget document was that another \$250 million in other buildings—these would be, in effect, marketable buildings, not necessarily surplus—would be going into the realty corporation this year. That would be followed by probably similar amounts in the next few years. The key to it is, however, that all the property that would be going into the corporation would be what we would call marketable. In other words, it would either be capable of being sold outright to buyers in the private sector or, alternatively, it would have a revenue stream attached to it, such as income from rent, that would be drawn largely from the government.

Property that has no market would likely end up being held by the government itself, so the object is to make the corporation an ongoing business operation, not simply a holder of property.

The Chair: Mr Daigeler, you have a question?

Mr Daigeler: I don't know. These are general questions that I have and I'm not sure whether it's fair to ask you the question. But, really, what you're say-

ing—it sounds like the government is going to keep the lemons and you are going to have all the oranges and obviously it's going to be easy to sell the oranges and the taxpayer will have to foot the lemons.

I don't get where this makes the whole operation of the province more businesslike and efficient. You're saying you're going to get the ones that create revenue. Sure. Any business is going to like to get the stuff that sells and that you can rent, if the taxpayer has to hold those that don't rent and that you

can't sell. So I don't follow how that's going to be more businesslike for the province as a whole. It may be, of course, businesslike for the realty corporation, but for the province as a whole and for all of us, for the taxpayer—and I think that's our responsibility as a committee here, to examine how all of this is going to benefit the taxpayer—perhaps you can enlighten me further on that. But I can't see how that in the long run will benefit us.

Mr Casey: Well, if a property essentially has no value—in other words, if it has no marketable value—then it wouldn't matter whether the government sold it to a crown corporation or sold it to the private sector; it would still get no value for that piece of property. So it wouldn't be particularly fair for the government to sell that property with no market value to a crown corporation and then take into revenue a value which is artificial.

The Chair: Mr Hope, you had a question.

Mr Hope: My concern would be dealing with the surplus of the land. You're talking about vacant land that's currently out there or vacant buildings out there that are marketable, whether it be through sale—how would that be advertised to the general public to know about it? Is this going to be a little club that's going to have access to the land, or is it going to be public information, like the land that might be available in Kent county would be public information to those people in Kent county?

You talked about the land issue and I really am concerned about public information towards the public land. I understand what you're talking about, the other part where government land—the private builds something on it and these buy-back arrangements are made.

Mr Casey: Prior to the shutdown of Ontario Land Corp in 1987, it had been in operation for a number of years. As well, MBS, in its former activity—the partner was the Ministry of Government Services—operated for many years selling land as well. In both cases, they do it on the open market in an open, competitive sense. We do not have any private clubs; we don't have any special favours. We do it competitively.

Mr Phillips: I gather what you said is that you've transferred \$250 million worth of buildings this year and you anticipate similar amounts in the future.

Mr Casey: We would intend to.

Mr Phillips: I believe you said that this building, for example, ultimately will be transferred into it. Maybe it would be useful, just for the committee: What were the \$250 million of buildings and how much of the revenue is government lease payments versus "private sector" payments that you expect this year?

Mr Casey: No buildings that are existing today, from the standpoint of this type of building, other than a few that we anticipate will be surplus in a very short term, have been transferred over yet. The intent is that once the corporation is up and running, then the \$250 million worth of properties would be transferred into the corporation. We are in the process at this time of identifying which assets and what the valuation of those assets will be.

Mr Phillips: That's not an answer. I think the committee has to have some idea of what we are expecting in terms of the examples of the buildings, and is it expected that the revenue source is government lease payments, or is the majority going to come from leasing the buildings to the private sector?

Mr Casey: No, the vast majority will come from leasing the buildings to government.

Mr Phillips: And presumably you've identified it. The \$250 million would be buildings that the government ministries are sitting in right now?

Mr Casey: Yes.

Mr Phillips: There will be a paper transfer of that: somebody will value the building, pay the government \$250 million, and you'll take that into revenue and you will then incur a new lease cost that didn't exist before.

Mr Casey: That's correct.

Mr Phillips: Thank you. I'm sorry—and you expect \$250 million a year for several years to come into the—

Mr Casey: Somewhere in that neighbourhood. It's up to essentially the Minister of Finance to make the determination as to how much property they wish to sell through the corporation.

Mr Phillips: I don't want to monopolize it.

The Chair: Thank you. Mr Mammoliti and then Mr Cousens.

Mr Mammoliti: I just have two questions. The first one would be whether the corporation would be responsible in selling the land—I'm still not too clear on it—to the private sector. That's my first question.

Mr Casey: Any lands that would be surplus to government needs, it would attempt to market to the private sector.

Mr Mammoliti: Okay. Do communities have a say? If that's the case, and when the corporation would in essence be in that position, would communities have a say in terms of whom this land gets sold to, and if so, what policies would be in place to allow communities

to have some input in terms of whom they're sold to?

Mr Casey: The government adheres to the municipal planning process from the standpoint of determining zoning of land and so on. In addition, as part of the surplus process, we normally request from the municipalities if they have an interest in the land as well. I believe they could purchase it and get a priority on that basis. It goes around to government agencies, in effect, which includes a lower-tier government. Those would be the two normal areas where they would have input.

Mr Mammoliti: I lied; I have three questions. The third question would be, I guess—and I'll give you a piece of land. It's no secret that the Workers' Compensation land up in my neck of the woods is being looked at, I think, and if that were the case, there is some problem in terms of even the existing policies that might be in place now and acts that might be in place in terms of the involvement with communities and whom they're sold to. Developers are already looking at that land. How can we better hear the community in this particular case if the corporation were to decide to sell that land one day?

Mr Casey: We can use that as an example. However, you would have to understand that neither the OLC nor, I would anticipate, the ORC would have any role with regard to the ownership of that land. It's owned by the WCB and they can market their own lands, so that would be one of their parcels.

Mr Mammoliti: If they declare it surplus, though.

Mr Casey: They would still have the ability to market it themselves. They do not have to use us, nor would that land normally come into our ownership.

Mr Mammoliti: I see.

Mr Casey: However, if you had a situation like that, if the municipality had a special interest as to what it wanted to have done with that land, it could express that as part of the surplus process and advise us. Then beyond that, we'd get into the municipal planning process.

1540

Mr Cousens: I don't know whether it's appropriate or not, but I want to ask a question on the Markham East project. What would be different now with this project falling under the Ontario Realty Corp versus where it now sits under the ministries?

Mr Casey: One of the primary differences is that at the present time all the land held by the ministry itself is valued at zero, including these buildings, vacant land and everything else. Once the land has been sold to the crown corporation—in the case of East Markham, it has been sold to the Ontario Land Corp—it has debt attached to that. Debt tension tends to focus attention on the decisions around asset management, and indeed that will happen with regard to East Markham.

If, as we used to do with some of the land banking,

we hold lands for many years and don't attach any holding costs to those, one can accumulate quite a few assets and, in effect, not manage them very efficiently. At the present time, that land carries debt. We have to make decisions in a timely fashion or eventually the kinds of decisions we will make could be shown very easily to be a totally inappropriate or inefficient use of those lands.

Mr Cousens: The policies, the guidelines, the development of that whole area, will that now will fall under the corporation? I then ask the relationship that that corporation would have with the Ministry of Housing, the Ministry of Municipal Affairs and the other ministries. Would they operate somewhat independently of the other ministries or would they continue to have the close interaction that they now have under the different ministries?

Mr Casey: I would anticipate they would have a close interaction. The crown corporation is subject to all the same government policies and requirements. We are proposing in this that the corporation would also have its class C exemption, which is an equally onerous process, what happens on all parcels of land, which is something the private sector doesn't have to go through. In addition, we follow the housing policy of the government, so housing gets a first priority on the lands. That would continue. As well, as I mentioned before, we have to go through the municipal planning process, so the same kinds of standards that come out of that would apply to the development of any lands for the corporation.

Mr Cousens: I have one other question, Mr Chair, on another area within this.

The Chair: That's fine, but would you move slightly closer to the microphone or speak slightly louder.

Mr Cousens: I'm sorry. Why would this new sector be responsible for the government relocation program and just what were you doing? To me that seems somewhat anomalous to the other responsibilities that you have, unless you're talking about moving sectors of the government to Peterborough or other things. Is that exactly what you mean by that?

Mr Casey: The reference is really to the capital requirements. In other words, there are two parts to it. There's an operating requirement, which tends to get involved in the actual moving of staff and so on. While we have some involvement in moving people in a home owner relocation activity, that reference is largely to the construction of the new facilities for that relocation.

Mr Arnott: You said that the Ontario Realty Corp will facilitate the disposal of surplus lands. I'm just wondering if there's any structural impediment right now which prevents the government from selling or disposing of surplus lands that it wishes to get rid of, for whatever reason.

Mr Casey: If the government wanted to make revenue quickly, it could dispose of its lands very quickly. In other words, you could dump them on the market. In some cases, I've got thousands of acres of residential property in one location. I think you can imagine what the impact on the local market would be if I dropped those thousands of acres on the market all at once. It's the same thing with other commercial buildings, for instance, and those types of things.

What we do is take a look at what it will cost us to perhaps take land through the planning process, get the highest invested value for it from the standpoint of zoning. We match that off against its holding costs. Truly, an asset management activity is what we're looking at, and the debt is just in looking at that kind of exercise, because in effect you have a holding cost for land. Nothing is free, particularly the land.

Mr Arnott: I guess we're saying that the government hasn't managed its responsibility with respect to that particular asset, which is land, as well as it might have, as well as it could.

Mr Casey: The government can account for its assets in any way it wishes. It just so happens to account for its realty assets at a zero value at the present time. If one wants to put a value on those so that you can manage those more efficiently, then you have to find a mechanism to do that. In the private sector, if a corporation has something it wants to put a value on, it can sell it. It can sell it to one of its subsidiary corporations. In this case, you have a like situation.

Mr Arnott: Again, there's no constitutional or legal impediment to the government disposing of land that it owns as it sees fit in whatever manner it wishes.

Mr Casey: Subject to regulation, environment requirements, in some cases, if we adhere to the municipal planning process, that type of thing.

Mr Phillips: Just to ask maybe some information that may not be available today but before we're finished, I would appreciate it. My own view is that the government's financing \$250 million of its debt creatively by this manoeuvre. That's just my own view. It's paying for that through lease costs as opposed to interest costs on the debt, and it's creative.

But it would be useful, I think, for the committee to get from Mr Casey the best bet on a 5- and a 10-year financial plan, just so we have some idea of what we're dealing with here, which I gather the tentative plan is \$250 million a year of buildings offset by presumably some \$25 million incrementally each year in lease cost or something like that, just so we could see a 5- and a 10-year plan, because I think that will also be necessary on the sewer and water corporation, transportation corporation and financing authority. I'd like to see in the end what debt we're running up on the schools, hospitals and what not—I realize that's not available

today. Secondly, of the \$350 million of land that has been transferred into the corporation, what is that land?

Mr Casey: That land includes some commercial buildings, vacant land, farm land.

Mr Phillips: I don't need that today by the way. I just thought that may be part of our report.

Mr Casey: We can give you a description.

Mr Phillips: That would be useful I think before we get into clause-by-clause.

Mr Mammoliti: One very quick question, assuming that third reading and royal assent occur in the fall session, how many jobs would this corporation create for the immediate public and how quickly, if any at all?

Mr Casey: I could give you a figure at the next meeting on our capital works and the number we feel would be generated out of that.

Mr Mammoliti: Will you give me that? Would I have to wait for that?

Mr Casey: I don't have that at my fingertips.

Mr Mammoliti: You don't have any estimates then? Okay.

Mr Casey: In effect, the corporation creates jobs by building things, constructing, whether it's new buildings, additions to buildings or capital repairs, and I would have to get you a figure on what the anticipated figure is for this year and next year.

Mr Mammoliti: How quickly can you get me that information or get us that information?

Mr Casey: I can have it actually by the end of the day and perhaps at the next meeting we could review it.

Mr Mammoliti: That's great.

1550

Mr Cousens: Just a very quick question, but I'm interested in the answer. When you point out that the new crown corporations will provide stable, long-term sources of funding for capital projects by employing new financing tools, do you see your own private systems to incorporate computer technology for the new realty corporation outside and apart from what is within the Ontario government, or do you see yourself tying into a schedule 4 agency to total government systems? If you can answer that one, and otherwise, what new financing tools do you see beyond the fact that you're going to just be selling off property?

Mr Casey: Any information systems that we develop would be able to communicate with the general government information systems. If you're referring to financing—

Mr Cousens: Will you have your own computer systems? Will they be separate from the government? Are you going to set up your own little administrations with computer systems and so on?

Mr Casey: I don't anticipate anything different than

what we do today, with the same linkages that we have today. As a matter of fact, some of the ones that we've recently developed, we are putting terminals into our client ministries so that they can access those as well. I assume the same thing would continue to go on.

It's important, I think, to keep in mind that our clients are the ministries. They're our primary clients. So it doesn't do us any good to be independent. We need to be able to communicate with them, we need to be able to get approval of financing through the Ontario Financing Authority and so on, so to the greatest extent possible, we want to stay very closely linked to all of those clients and the people who control, essentially, our financing.

With regard to innovative financing arrangements, in effect, we are looking at what we would call asset-based loan financing; in some cases in partnership arrangements we could have equity contributions. That offers some opportunities that we presently haven't engaged in at all and could offer us a lower cost of borrowing as well.

The Chair: Mr Sutherland has a comment, and then Mr Arnott.

Mr Sutherland: Yes, I was just wondering, in response to Mr Phillips's request for what types of buildings are in that, maybe you could also include what type of land is excluded or exempted from being eligible for sale.

Mr Arnott: There was a figure given earlier this afternoon about the approximate staffing level for the Ontario Realty Corp. I forgot what that was, the number of people.

Mrs Stewart: Anywhere between 1,300 and 1,500. The numbers are not finalized.

Mr Arnott: And those employees will come from the Ontario public service, I gather, most of them or all of them. Is that the plan?

Mr Casey: They would in effect be the employees who presently are in the realty group of the Management Board secretariat.

Mr Arnott: Now the government has stated on a number of occasions that the change that this bill provides for will allow more effective administration of the responsibility, so I gather from this that you'll be able to do the job with fewer civil servants.

Mr Casey: That's our anticipation.

Mr Arnott: Do you have any estimate of how many civil servants will be laid off as a result of this change over, say, the next two to three years?

Mr Casey: We anticipate that we can accommodate the downsizing through a combination of the retirements that will come along, new opportunities and so on, so there would be very few people at the end of the day, if any, who would be laid off.

Mr Arnott: But fewer jobs than presently.

Mr Casey: I would anticipate it would be fewer jobs than presently.

Mr Daigeler: There goes the job creation.

Mr Mammoliti: It's called managing.

The Chair: Order.

Mrs Stewart: If I can add in response to one of Mr Phillips's earlier questions, you mentioned a reference to the Provincial Auditor and the land transactions from the previous fiscal year. I understand that the Provincial Auditor has indeed audited the Ontario Land Corp for 1992-93 and has attested that the accounts of the corporation reflect the status of the corporation, so he's basically signed off on the audit for last year.

Mr Phillips: I wouldn't doubt that. That wouldn't be my concern at all. I'd just like to know what land and buildings we're planning, what we're going to do over the next five years and then ten years, how much debt we'll have there and how much new added expense.

My own view is, as I said earlier, that we are going to add \$25 million a year in lease costs—\$25 million, \$50 million, \$75 million that aren't there currently—and we'll take into our revenues \$250 million. It's just a creative way of financing debt, in my view. But I don't doubt that everything that's gone on is completely clean. It never even entered my mind that the auditor would not have approved.

Mrs Stewart: If I can ask Jim Merritt, who's the executive director of the Ontario water corporation's transition team, the Ministry of Environment and Energy's transition team leading to the Ontario Clean Water Agency. Jim, there were three questions raised earlier that I think you can help us with before further questions are tabled.

One question was raised about any substantive changes to water rates that might impact residential or business water rates as a result of the creation of the corporation; a second one about the new funding arrangements creating difficulties or unfairness for small or northern municipalities, a question from Mr Grandmaître; and, finally, the question raised by Mr Cousens about the CEO designate reporting to the deputy minister, which indeed is not my understanding. My understanding is that the CEO would report to the board of directors of the corporation, but Jim may be able to shed more light on that.

Mr Jim Merritt: The question of rates has come up on several occasions and it's an important one. The Ministry of Environment and Energy announced last winter its intention to put in place a 5.7% overhead charge for all the utility operations, water and sewage plants, that it operates on behalf of municipalities. Historically, there had been in effect a subsidy because all the overhead efforts were not charged back to those municipalities. Municipalities that operated their own

plants absorbed these themselves. This was an effort to put all plants on the same basis.

The agency, at least in the initial phase when it got started, would anticipate continuing this overhead charge. However, there is opportunity to then sit down with municipalities on a case-by-case basis and look at the overall operation of their facilities and endeavour to find ways to reduce costs. This is one of the major initiatives of the agency through things like water conservation and plant optimization.

This is also tied into the new municipal assistance program, which now introduces the opportunity for grants to municipalities so that they can then start building water conservation into their programs and also invest in things that will streamline and make their existing systems more efficient.

We anticipate overall that this will, in effect, help municipalities to reduce rates and reduce their overall capital costs in the long term.

Mr Grandmaître: On page 36 of the presentation it says, "Under the loans-based financing approach, universities, colleges, school boards and hospitals will receive their provincial capital funding in the form of loans from the Ontario Financing Authority."

Does that mean that the government or the Ministry of Municipal Affairs is abolishing the conditional grants to municipalities? I realize that the minister is now negotiating with municipalities, as you said before. Right? The Minister of Municipal Affairs right now is in consultation with municipalities. Right?

Mrs Stewart: The minister is involved, and the ministry. The Minister of Municipal Affairs is indeed consulting and has been consulting with municipalities on the use of loans-based financing for that sector. What I mentioned earlier, indeed the Ministry of Environment and Energy is out consulting with municipalities on the specifics of how loans-based financing may impact water and sewer capital project investment. So it's rather specific to that.

I'm not aware of negotiations currently on conditional grants, and certainly I'm aware of no relationship between that negotiation and this bill. There is reference in the presentation to potential impact on unconditional grants. If I could ask you to hold that question until we have someone in a few minutes from the financing authority, it's a rather specific relationship in this bill related to the potential non-payment of loans that are as a result of the clean water agency's activities on capital investments with water and sewer plants.

The provision in the bill related to unconditional grants basically says that if a municipality has entered into an agreement with the clean water agency for a loan to finance a water or sewer undertaking and the municipality defaults on that loan, the bill provides the Minister of Finance with the ability to constrain,

essentially, unconditional grants to that particular municipality in order to ensure that it actually makes its loan repayment. That's the only connection here, and I'm unaware of any connection at all to conditional grants.

1600

The Vice-Chair (Mr Hans Daigeler): Mr Merritt, I think you wanted to add something to that.

Mr Merritt: Yes. On the question of conditional grants, so that we're all very clear, the old water and sewage direct grant program, as it was referred to, is being amended and revised, but there certainly is an assistance program for municipalities. Although it will be managed under the loan-based assistance, the grants will still flow to the municipalities over time. The levels of assistance are essentially very much the same. I think one of the second questions was a concern for the small rural and northern municipalities, and that certainly is an equal concern. The new assistance program still provides a population-based approach so that smaller municipalities are eligible for larger levels of loans and again can receive up to 85%, which was consistent with the earlier program. So that is very much still on the table.

Mr Grandmaître: So what you're telling me is that the Ministry of, let's say, Environment and Energy will not change its grant system.

Mr Merritt: We are not changing the overall amounts. There are some fundamental changes to the grant system in terms of the way it's scored and the types of projects that are eligible.

As I referred to before, the old system only provided money for traditional water treatment and sewage treatment projects as they were substantially built, in a historic sense. The new program will expand that so that if a better alternative is now available—for example, we are asking the municipalities now, if they are looking at an expansion, to look at water conservation and see if water conservation would in fact reduce the size of that expansion or maybe eliminate it altogether. If that is the case and they'll need some money to implement that water conservation, the water conservation project will now be eligible for a grant. In this way, we're hoping to save them money and the province money through the grant program.

Mr Grandmaître: I still have a concern, because I can recall the Minister of Municipal Affairs saying this will be a job creator: "Let's get involved in renewing our municipal infrastructures. The federal government doesn't want to do it; we'll do it on our own." In fact, if I'm not mistaken, the minister at the time mentioned that \$150,000—it wasn't a whole lot of money; it was just a small amount—would be used to improve municipal infrastructures. That's why I'm asking you, if we're trying to create jobs by improving and renewing our municipal infrastructures, will unconditional and condi-

tional grants to municipalities be affected? Will they all become loans from now on? I perfectly understand your answer, but I guess it's going to take a while before all the ministries that are involved can provide us with all the answers.

Mr Merritt: I think there was a third question, and that is the reporting of responsibility of the chief executive officer under the legislation and other concepts that Barbara's talked about. The chief executive officer would report through the chairman of the board, through the board of directors. The chief executive officer would not report to the deputy minister. The chairman of the board would report to the minister under this legislation and that would be the reporting linkage.

Mr Cousens: Just on that—

The Chair: No, no, I have Mr Hope, Mr Mammoliti, Mr Phillips, and Mr Cousens now.

Mr Hope: I've got a few questions. You say one third of the plants. Do you have a list of one third of the plants and their locations that the province is running currently?

Mr Merritt: We could provide that list. It totals approximately 350 plants.

Mr Hope: We'd appreciate that during the process of the hearings. Also, do we have provincially owned and municipally run facilities out there?

Mr Merritt: Yes, we have all mixtures. We have provincially owned and municipally run plants; we have municipally owned and provincially operated; we even have ones where part of the plant is owned by the province and part of the plant is owned by the municipality, run by us.

Mr Hope: And if I asked you to pull that information, you'd be years trying to gather it, right?

Mr Merritt: I would say we would be, yes.

Mr Hope: Okay. I need which ones are the provincial ones, the one third.

Mr Merritt: I should add that in terms of the concept of a plant and getting the list together, I'm referring to the major plants. We also operate a large number of smaller component systems to them which we don't necessarily refer to as plants as a whole; for instance, pumping stations and other ancillary facilities. If we include those, the list is in the thousands.

Mr Hope: Well, the one third will be sufficient.

Dealing with the provincially owned facilities we have out there, when you do expansions or upgrading or whatever, the debt is allocated to the municipalities. Under this new corporation, how is that debt now going to be—is it going to be taken off the municipal books and put on your books?

Mr Merritt: That is in fact a loan. Under the old program, with provincial projects, where we did the

work and built on behalf of the municipality, that portion it didn't get a subsidy for was borrowed and put on the books of the municipality. That will still continue. The agency would borrow on their behalf, but the debt, because it's not subsidized, would sit on the municipal books, so that would not change.

Mr Hope: So it's the same current structure, where the ministry goes ahead and does capital initiatives without—really, the municipality has no say in this process.

Mr Merritt: The municipality requests the expansions.

Mr Hope: But it's also known that a provincial facility is when they have capital expenditures without the support of the municipalities. We talk about regional water supply, and we have two facilities in southwestern Ontario that provide regional water supply. I leave that with you. You've given me an answer which I'm not particularly keen on.

Also, with the new system you're talking about, where municipalities could opt into the system, when we're dealing with rural Ontario—I understand what you're saying about water conservation, but in order to conserve water, you've got to have water. My biggest concern is around the smaller municipalities, which we've heard some concern about, not being able to build up all these water supplies.

I'm saying, what is the avenue for rural Ontario to provide stronger mechanisms? I remember that when the Conservatives were in power, they built the water facility in a city which now is hogging the water, preventing the rest of the smaller municipalities from accessing that water. I'm wondering what mechanism is going to be there to provide for the smaller rural communities to access water through this new system.

Mr Merritt: One of the agency's roles, in fact its primary role, is to be an assist to municipalities, and we will enter into agreements to do that. If the municipality would want us to find water or access water or to assist to negotiate agreements with other municipalities to find that water, we then would embrace the municipality as our client.

Mr Hope: What about the one third of the plants that you currently operate?

Mr Merritt: They would be part of our client base. If they want additional water, then we'll look for the best way for them to find that water. Water conservation comes into play in terms of reducing the cost of the options. If they don't have water in the first place, water conservation isn't going to be too helpful to them.

1610

Mr Hope: The other question I have, my last one, dealing with water conservation, is, what would encourage people to participate in water conservation if they have water surplus? Let me tell you, if you put in water

conservation programs, it means the operating costs are still there and high, but the consumption is lower. That means the operating costs are going to go up when human consumption is down, which means that rates will go up.

Mr Merritt: I think that's exactly the point and what we want to avoid in the program. The water conservation program is looking for alternatives to a project need as it stands today. If there is not a project need, then we're not moving ahead with water conservation. It's only when a municipality comes forward and it's got a particular problem, either with its sewage service or water service today, and water conservation may well be a reasonable alternative to that.

The Chair: Mr Mammoliti.

Mr Mammoliti: Well, the Conservatives hog the water, and I think they should be ashamed of themselves.

Nevertheless, one of the reasons I support this is because, as I've said earlier, it's going to create jobs. The only indication—

Mr Daigeler: Who said that?

Mr Mammoliti: It's going to create jobs. Mr Daigeler is saying, "Who said that?" The government's saying that. The question I would have is, how many jobs, new jobs, would be set up out of this corporation? If you can be somewhat specific in terms of immediate jobs, it would even be better for me. I'm not sure if you're prepared to do that. I'd asked Mr Casey earlier to provide us with the same information. If you can give us an indication of immediate jobs, and also which types of jobs might become available, so be specific in terms of the types of jobs as well.

Mr Merritt: The information we currently have is on the Jobs Ontario program. Ms Stewart showed you a slide of that, indicating, if I can remember, that for the current year there were 2,800 jobs created out of a \$90-million capital expenditure. That pattern would continue, and in fact in the next year there would be more than that. That's the package that was approved for this current fiscal year. We anticipate that the agency, once it gets started, will be putting together its capital plan and coming forward with yet another package.

It's somewhat premature for us to estimate that because we're now going out to the municipalities with the new assistance program and questionnaires asking them to bring forward their projects. Until we actually see what the project demand is, and then we will include that into our capital submission and capital plan, we won't be able to anticipate what the total demand is at this time, but we can be fairly sure that it's at least at the level of the current year, and I'm sure the demand would be significantly higher than that.

Mr Mammoliti: Which is 2,800?

Mr Merritt: Yes, 2,800 jobs.

Mr Mammoliti: And what types of jobs are they?

Mr Merritt: These jobs range widely, from jobs in the construction fields themselves—excavation, pipe laying, concrete forming—to people doing the site work and inspections, the consulting firms, the designers who do the design work, the office people involved and ultimately the operators of the facility once it's up and running.

Mr Mammoliti: These are immediate jobs, are they?

Mr Merritt: These jobs are immediate, and they're tied to projects where the construction is actually now under way.

Mr Mammoliti: So they're individuals who are already working, or are these individuals who might be at home waiting for a call to go to work?

Mr Merritt: The projects have got started now, and as those projects get geared up there will be more and more jobs created. We can get you the list of the Jobs Ontario package as it identifies the jobs over the next two to three years.

Mr Mammoliti: I think it would be wise to get that to the committee, but ultimately, in terms of immediate jobs, what I'm trying to get at is that, in my particular riding anyway, I have literally thousands of unemployed construction workers who are actually looking forward to working. Will this provide jobs for those who are actually sitting at home waiting for that call to go to work, immediate jobs, not jobs that are coming up 10 years from now but in 1993-94?

Mr Merritt: Yes, we're talking about real construction jobs as the projects move ahead.

Mr Mammoliti: This is wonderful.

Mr Phillips: I'd make the same request that we made of the previous speaker, and that is to get some idea of what you've got planned in a five-year and a 10-year financial plan, because we're dealing somewhat in the abstract here and I think we need to deal with specifics, but perhaps I can ask for that.

Secondly, if I can just summarize my general impression of what you're saying, it is that the provincial funding for these projects will not change, that the amount of money that will be allocated won't be changed. Is it running \$150 million a year now, or what is the grant system?

Mr Merritt: It's in excess of that. I can get you that number, but you're very close.

Mr Phillips: That's \$150 million. You're going to change it to loan base, which means, pardon my being cynical about it, again it's just going to run up debt, because you'll never pay the loans off because you'll keep spending \$150 million a year, show on the books one twentieth the cost of that, and we're going to build up an enormous amount of debt that the province will

owe the corporation that will be in your books. I think that will come out in your 10-year plan if you show us; every year the province will continue to spend roughly \$150 million but only show, I think, one twentieth of that on the books.

The other part of what I gather this is all about is that the hope is that there will be substantial additional money available for projects through other sources of revenue; the province's source of revenue, \$150 million, will stay the same each year. What is your expectation there, and how will that come about? Is that through your full-cost pricing? Is that the expectation? What will that mean to, let's say, a municipality or a business in a municipality in terms of real dollars?

Mr Merritt: It's early days yet to start pulling these plans together. We have had some very preliminary talks with some of the people in the financial area and I guess what is referred to as the non-traditional financial groups, and their very strong interest in coming forward and putting money into building and owning and getting some equity value into infrastructure and in fact carrying the debt on their own books. Some of these things look very intriguing on the surface, but we're going to have to look into them in a great deal of detail once the agency is established and can start talking seriously about these. There are opportunities like that which are coming out of equity funds, for example.

Mr Phillips: All that will be funded by the user presumably paying a rate on it. I'm just trying to get some feeling of what your expectation is of who will pay to service the debt and how that will come about.

Mr Merritt: In the end, you're absolutely right. The users of the system will be paying, through a water rate, the costs of building and maintaining that system over the long term. We're looking at trying to make sure that we're not building more than they can afford in the first place and at the same time trying to bring in substantial equity money to make that happen and hopefully keep everybody's costs under control.

1620

Mr Phillips: My problem is that the municipalities or the users in the end that will be affected by it will ask us the question two years from now, "Why didn't you find out how much our water rates were going to go up before you approved the bill?" Can you be of any help to the committee in terms of what impact this might have on real residential water rates and real industrial water rates?

Mr Merritt: Our expectation is that many municipalities currently have very low water rates, although there are some that have exceptionally high rates. There's quite a distortion among them. We're currently trying to get information on what municipalities have as their total rates and how they're billing them. It has been very difficult. We hope to move towards getting a

better grip on that. Municipalities cover their costs off in many ways and often subsidize those rates through their traditional property tax processes.

Simply looking at their billings for water and sewage is not necessarily a really clear idea of what those total rates are. I anticipate that over time some of those rates in some communities are going to have to increase if they're going to meet all their requirements. On the other hand, we also know that there are probably more cost-effective ways of meeting their needs and undertaking these projects and hopefully trying to balance these in the long run.

Mr Cousens: I really liked the line of questioning by my friend, Mr Phillips. It's so important that we have a sense of knowing the net impact to the users. That's the bottom line. I won't repeat those questions; they were just excellent—any help you can give us to show what impact you're going to have. It leads to the question: The legislative authority that we're giving this agency, could it at some point be forced upon all municipalities in the same way Ontario Hydro is the only exclusive authority providing—because they assume it. They've closed off other options. When Sudbury was looking for the development of another kind of power, it got closed off; the power that comes out of that group. Is there any way in which you can force your—I'd have to relook at the legislation—so that every municipality in some way has to come through this agency?

Mr Merritt: There is in fact no way with this legislation that we can force participation or rates on municipalities. They are free to move away from the services of the agency at any time and if they do so, then rate-setting and costs of services will be completely up to them. In fact, our rates and charges would be negotiated on an annual basis with the municipalities and we would sit down with them very much on a client basis. Our intention would be to bill them probably quarterly so that they know exactly what their costs are and what we're doing with the money they're paying, and if they're not particularly happy with the way we're handling that, then they would be free to go in their own direction.

Mr Cousens: The second question has to do with the number of staff and the levels they'd be at. You're going to be the executive director. Would that be at the same level as a deputy minister?

Mr Merritt: Currently, I'm the executive director within the Ministry of Environment and Energy for assisting with the work in setting up this. I may or may not have any role in the future with this agency.

Mr Cousens: Maybe this question goes through Mrs Stewart: You have a chairman already appointed in the form of Mr Marshall.

Mrs Stewart: There's actually a CEO designate, so

it's a chief executive officer designate for the corporation, indeed designate pending potential review by the standing committee on agencies, boards and commissions.

Mr Cousens: We know what that means, but then you said it and that's all right.

Mr Grandmaître: Is he being paid now?

Mr Cousens: That's what I was coming to, Ben. Is he on the payroll yet or not? Are there any people on the payroll yet and if so—

Mr Grandmaître: They're all on the payroll.

Mrs Stewart: I think Jim can answer the question most accurately.

Mr Cousens: Are you under the social contract?

Mr Merritt: There's no one on the payroll of the agency yet because it doesn't exist. Mr Marshall, who actually is here today—

Mr Cousens: Why doesn't he say hello?

Mr Merritt: He'd be happy to come to the microphone.

Mr Mammoliti: For the record, he said "Hello," Mr Chairman.

Mr Cousens: No, that's okay. I don't think there are any questions, but that's fine.

The Chair: Then we have Ms Mathyssen.

Mrs Irene Mathyssen (Middlesex): I'd like to thank you, Mr Merritt, for coming. I think my questions have been asked but in a rather different way than I would have asked them, so if you'll bear with me, I'd like to explore some things and perhaps get a slightly different perspective on a couple of items.

First of all, there has been some criticism that the Ontario Clean Water Agency might encourage bad actors. I'm thinking in terms of some suggestions that in the past municipalities anticipated growth that didn't happen, extended themselves too far in terms of debt and capacity, weren't always as scrupulous about the maintenance of facilities as they should have been and that somehow or other OCWA's going to allow them to get off the hook, as it were, at taxpayers' expense. I wonder if you could respond to that.

Also, in terms of this full-cost pricing, I think Mr Phillips very ably pointed out that the economic health of the province is dependent on the businesses that we have here and that very often those businesses are dependent on a clean, safe supply of water. In what way will OCWA ensure that those businesses continue to thrive because they have that source of clean water?

Thirdly, you said that any municipality is free to go elsewhere in terms of finding a service to deliver clean water and sewer facilities. Why should the municipality go to OCWA? What can OCWA offer that the private sector or someone else cannot offer?

Mr Merritt: Thank you. I'll try and remember all the questions as I go along.

First of all, the question of bad actors: It's quite right that previous assistance programs have said that a municipality could allow its system to deteriorate or its water quality situation to become very poor, and therefore, under the ranking and priority system, get a very high score. We're trying to correct this in the new program. We're adjusting the scoring and the criteria being set up so that municipalities that are demonstrating they now are in compliance, that they're looking to maintain their systems, to protect their projects, will in fact get enhanced scores through the priority rating system. This would give them a good chance to move up and have the type of score that would give them a good chance for moneys through the system.

There still is in there, however, an opportunity for situations where a municipality is in difficulty, where there are serious health problems or serious environmental problems, to still be eligible. We're not saying that we're not going to deal with the problems, but we want to make the system more equitable, so that those municipalities that are making the effort don't get penalized for that effort.

Secondly, the situation of clean water and business opportunities: I think Ontario is known for its water quality overall. However, some communities they do have water quality problems, particularly those municipalities that are taking their water from wells. Many of the areas have very limited well supplies now and the water in those wells, the quality, is deteriorating in some areas. It's going to be important, if we're going to sustain industries in those areas, to be able to maintain the supply of water and keep it at the quality of water that's available. We've heard from industries and development groups saying that's a very important aspect of economic growth, particularly on a regional basis, and the agency is very much charged with that.

One of the things we will be looking for in that is the possibility of partnerships. This comes back to another question: If, for instance, some of those industries come forward and look to develop partnerships—under our Jobs Ontario project there was an example in south-eastern Ontario, where Kraft foods company came forward and had a requirement to put in some water control systems. They knew also that the town required some upgrading. They met with our Ministry of the Environment and we looked at a three-way project where the industry, the town and ourselves could put joint funding, approximately a third each, to the benefit of everyone. We got a plant at a scale that saved us all money and reduced the overall costs.

I think that's an example of how we can build in some of these partnerships and save money for everybody, and we'll be looking for more of those types of partnerships on a community basis.

1630

Your question about why people should come to the agency for service: I think competitiveness is going to be a big part of it right now. The current plants that the Ministry of Environment operates are either large area projects that service multiple municipalities or they're very small projects in rural and northern communities. We think that approach is going to continue and there is a real need there.

The scale of operations that the agency can provide in terms of purchasing on a bulk basis, making sure that there is a pool of staff available—for instance, a lot of these small plants don't need a full-time operator. We can share an operator among four or five communities. They can be out on the road. We can make sure that there's emergency backup service in case an operator's sick. We can have someone behind that. The staff relations and the staff support and all those other overhead things that perhaps no one likes to recognize will all be there available and in fact facilitate a municipality to deliver that work.

The same in terms of area projects: We would be promoting multiple municipal efforts to work on area schemes, which will save money for all of them, rather than each project building its own and trying to finance it and run it, in that if we first develop and then operate it on an area basis, there are tremendous economies of scale for those facilities, and that will be a strong role for the agency.

The Chair: Mr Daigeler, Mr Hope and Mr Sutherland, noting of course that the time is scheduled to 5.

Mr Daigeler: I'll be very quick. I'm just wondering, since Mr Mammoliti was making so much of the job creation impact of the agency, perhaps you could answer my question, which is, to what extent is that job creation different from what the Ministry of Environment is presently creating anyway through its capital grant process?

Mr Merritt: I should add that historically the capital grant process has had a number of peaks and troughs and for several years in the past there was in fact little, if any, new money in the grants program. With the Jobs Ontario program coming forward, there was a significant increase again in that expenditure.

Mr Daigeler: But all of that doesn't really have anything to do with the agency. I mean, let's say if the minister would decide, or the Treasurer would give the Minister of Environment enough money, he could create the same number of jobs.

Mr Merritt: I think by going to the loans-based approach for grants it removes the year-over-year pressures for the variation on that money and there's less incentive for this figure to jump up and down and perhaps gives us a more steady-state rate.

Mr Hope: A couple of questions that I have you started answering. You talked about the current one, dealing with water conservation, because a lot of factories use their water for coolants, as a coolant of a dye or whatever it might be. With this agency, will companies be able to access a similar situation where if they want to borrow—let's say they can't get it from the banks but they want to put a water conservation program on site. Can the facility access funding through this agency?

Mr Merritt: No, this agency is there to assist municipalities. However, in the context of a municipal project, if for example a municipality is coming forward with a water problem and says it really doesn't have enough water and it turns out that if going to the industries within their community and finding ways for those industries to reduce their water demand is part of a whole municipal package, then we will put it together and that would be eligible, but through the municipality, not independently, industry by industry.

Mr Hope: You talked about dealing with wells. If you lived down in Chemical Valley—you'll know where I'm talking about—there's water contamination, which we've been dealing with for years. When I'm dealing with—and this is where I want to bring in the private enterprise—private enterprise putting in the lines, running water lines, how are we going to regulate the cost of water if they own the piping? They're going to buy water off you, but they're going to put it down a line to supply to a municipality. How is that private enterprise going to be regulated in the prices it can charge to a municipality?

Mr Merritt: If the municipality approaches that independently, then the agency wouldn't have a role. However, if the municipality comes to the agency and asks us to assist it with those negotiations and work towards a partnership development, we will be looking for protection not only for the municipality but for the agency itself in making sure that there's no long-term runaway costs and those agreements are looking out for our interests. That would be part of our service to the municipality.

Mr Hope: I just have one final one, because I'm looking at ways of generating revenue for you, and I'm talking about those polluters of our environment. The best thing we'd like to do is see the environment cleaned up for those who need water versus trying to put pipes all over the land place and just trying to find clean water. I'm wondering about the fine aspect, if you see an avenue of revenue generation through fines.

Mr Merritt: That's not part of this bill. The agency will not have regulatory powers in that we won't be able to exercise fines or, if there is fine money, get access to that. That would be a role for the Minister of Environment and Energy in his future considerations.

Mr Sutherland: I just want to make one comment

in response to a question Mr Phillips raised about the clean water agency, saying that two years from now, if the rates go up, the constituents will want to know why we didn't ask the question in terms of how much impact the clean water agency itself, as one of the capital corporations, would have on rates going up.

I think it's important to be clear that whether the clean water agency is the mechanism for financing water and sewage projects, the government has made it pretty clear that it's going to a full-cost pricing system for water and sewage projects. So the fact that water rates may be going up might occur even if you didn't have the clean water agency as the mechanism for things going up, because it's pretty evident that we haven't paid the full cost and full price for water and sewer projects across the province. That point needs to be put on the record.

Mr Grandmaitre: You mean through user fees.

Mr Phillips: The only reason I raised this is just that I have a document from the Ontario water services secretariat, which I gather is something perhaps—is that who you're with, the Ontario water services secretariat?

Mr Merritt: No, we're with the transition team.

Mr Phillips: That indicates there could be a 50% increase in the water rates. I just want to make sure, if that is the case, that we've asked the question, because somebody down the road will ask us the question.

Mr Sutherland: But just to be clear, in terms of a policy or a direction of paying for the full price of water costs, that process, I think, needs to be looked at separately from specifically the setting up of the clean water agency or the capital corporation.

Mr Phillips: The only reason is that full-cost pricing is an important element of it, and if full-cost pricing is a 50% increase on the water rates, we just should know that.

The Chair: One of the things that has come to my attention is that a number of members have asked questions of fact, asking for some technical information. It would be useful if the ministry, when supplying that, could supply that to the clerk so that we could distribute it to all members rather than just the particular member who happened to have asked the question.

Mrs Stewart: If I can ask Tony Salerno from the Ministry of Transportation to come forward to answer a couple of questions that have been raised about the Ontario transportation corporation. I think the one I heard, Tony, relates to the competing consortia on the Highway 407 project and the opportunity that others had to participate in that process.

1640

Mr Tony Salerno: The first point I would like to make in relationship to that question is that indeed the two consortia competing for the finance, design and construction of 407 account for roughly 80% of that

same capacity in southern Ontario. In any event, a large proportion of that capacity will be involved in the delivery of 407. Furthermore, the winning consortium will be required to contract or subcontract a significant proportion of the design and construction of the 407.

Mr Mammoliti: Mr Salerno, welcome. I noticed that you were sitting out there when I asked the questions in terms of construction jobs to the other two who were previous. I'm wondering whether you can provide us as well with an estimate in terms of immediate construction jobs and any other jobs that might come out of this plan to build the 407, how many and what types of jobs.

Mr Salerno: Let me answer that by saying first of all that through the capital corporation, in this new way that we are planning to deliver 407, we are compressing the time from the planned construction of 407. The first 58 kilometres of the 407 were planned to be constructed by the year 2015. Now, under this proposed delivery approach, those same 58 kilometres are planned to be delivered by 1998. Clearly, if you accelerate the construction, you'll be creating a lot more jobs.

In terms of the specific jobs—I'm not avoiding the question—let me just say that in terms of direct jobs, every \$1 million of highway construction will create some 25- to 30-odd jobs. That phase of the highway, we anticipate, will involve about \$1 billion of construction activity. I can't say precisely how much it will be, because of course we're having a competitive process that will tell us for how much they plan to build that highway. We're hoping that we can build it for a significant saving in doing it in this accelerated method.

Mr Mammoliti: For the people who are sitting at home, as I said earlier, who are waiting for that call from their boss for new work in the construction industry, this is a good-news item, and chances are they might get that call come the fall when this thing passes.

Mr Salerno: My answer just dealt with 407. You'll recall also that through the capital corporation, the government was able to accelerate or at least undertake the development of four rapid transit lines and the busway in Mississauga. That is an expenditure of roughly \$2.5 billion. Again, the same types of direct jobs will be involved because a lot of the same types of civil activity, civil engineering and construction activity, are involved in that as well. In total, between those two programs alone, we're talking about a lot of jobs.

Mr Cousens: The QEW, it was mentioned somewhere in the sheets, and I can't find it, is listed as one of the reconstruction efforts. Will there be toll roads on the QEW?

Mr Salerno: No.

Mr Cousens: Toll roads will only appear on newly built highways?

Mr Salerno: Newly build highways or an expansion

of an existing highway, for example, the 403; some of it is already built.

Mr Cousens: So the next new section.

Mr Salerno: That could be. That would fall under that definition of a new highway; the segment, for instance, from Burlington to Oakville.

Mr Cousens: What level of tolls do you see being levied for the roads? Any estimate at this point? When we're supporting or not supporting legislation, we'd like to have a sense—it's much the same kind of question that Mr Phillips asked earlier with regard to the cost of water. What could we expect to be paying on the toll roads when they come in?

Mr Salerno: We can't say right now. In fact, we've got a traffic and revenue study being undertaken right now and we won't have the final report till about the middle of November. November-December.

Mr Cousens: So you don't know how much money you're going to raise, and how quickly, through tolls?

Mr Salerno: Well, how quickly: We know that tolls won't be applied until the highway's open.

Mr Cousens: Then how quickly are you going to pay it off?

Mr Salerno: How quickly we'll pay it off?

Mr Cousens: Yes. That was all right—

Mr Phillips: Good work.

Mr Cousens: I don't mind that. At least I got something out of this bloody committee, and you're a good man.

Mr Phillips: Put that in your householder.

Interjections.

Mr Cousens: No, I don't think that was a very—I'll do a Mammoliti.

Mr White: Will this be any good for business in Markham?

Mr Cousens: Hey, this one is. There's no doubt that I'm sucking around the 407, I'll tell you. I'll be the first to pay the toll if it's within my means.

The Chair: We're worried, Mr Cousens. Mrs Mathysen.

Mr Cousens: No, he's working on the answer.

Mr Salerno: In terms of when they may come off, that will depend on the level of tolls and how much is borrowed. It's one of those—

Mr Cousens: So you just don't know.

Mr Salerno: We don't know at this time the level of tolls or how much will be borrowed to finance the highway. This will be part of the plan that the two consortia will be giving over to the government, again in about November.

Mrs Mathysen: I was quite intrigued with your statistic that the first 58 kilometres of the 407 will be

built by 1998 rather than 2015. You'll have to forgive me. I did see a map of the four rapid transit lines and the planned 407 and projections, and I was wondering, in addition to jobs—I know jobs are a very important aspect—what other impacts will that have on the area? What will these connections mean to the people in the towns that are connected, to commuters? What are the other things?

Mr Salerno: Obviously, the transit facilities within Metro will allow for much greater intensification, a greater utilization of our transit facilities, a more efficient movement of people within Metro. In terms of the 407, it's regarded as a very, very important bypass through Metro ultimately. The people in the north point to the congestion in and around Metro as the biggest obstacle they face in moving their goods to market. So people in the north will be facilitated in moving through Metro. For Oshawa, in terms of the just-in-time delivery that GM relies on to such a great extent, this will clearly provide an alternative to the 401 and hopefully a much faster alternative to the 401.

Mrs Mathysen: By intensification, do you mean better land use—

Mr Salerno: That's right.

Mrs Mathysen: —we won't be so likely to sprawl out because we'll have these good connections. Would safety also be a factor? Do you see any safety benefits with decreasing the congestion and the traffic?

Mr Salerno: Well, there's no doubt about it. I'm not an expert in that area, but certainly to the extent that you move people from cars to transit, transit's a much safer transportation alternative, and to the extent that you reduce congestion, the roads become safer.

Mrs Mathysen: Thank you.

Mr Mark Morrow (Wentworth East): I kind of think if Mr Cousens can do this, I can do this too.

You talk about the 407 and the widening of the QEW, which happens to be in my riding of Wentworth East. Will this include future roads, such as new Highway 6, into the corporation?

1650

Mr Salerno: Yes, the plan is to ultimately finance all of the highways program through the corporation.

Mr Morrow: If then it is included in the corporation, can I assume that because it's a new road along an adjacent road, this will also be a toll road?

Mr Salerno: Clearly, that's a decision of the government to make, what highways will be tolled. Because it's permitted through the legislation, it doesn't necessarily follow that a particular highway will be tolled.

Mr Morrow: It's just nice to know that the new 6 will be under your corporation. Thanks.

Mr Daigeler: I just wanted to say first of all that I don't think the government or any section of it would

want to be held too closely to any particular time line, because as late as about a year ago the Minister of Transportation promised us in eastern Ontario that the 416 would be built by 1999 and now we don't have any kind of completion date. I wouldn't necessarily wait right next to—

Mr Sutherland: We are still trying to catch up on all your commitments.

Mr Daigeler: No, we put it in place and it's being built, in fact, in my city, the section that we started.

In any case, whatever it is, I wouldn't necessarily put too much weight into the possibility that the 407 might be built by 1999. We'll see it when it's built.

My point is simply this: Who is presently assessing the bids that have been put forward by the consortium? Is it the Ministry of Transportation and later on will it be the transportation capital corporation that will make these kinds of assessments on behalf of the taxpayer? One of the reasons I'm saying this is that I did have communication from members of the public—in fact, contractors—who were somewhat concerned about the integrity of the whole bidding process and so on. I think there were some questions raised there that are valid ones. I'm sure the government would want to make very, very clear that everything is aboveboard and so on. Who is looking and who will be ultimately choosing then, or making the recommendation to cabinet, because obviously it will be cabinet, but in terms of the ministry, who is doing that assessment as to which bid is the better one?

Mr Salerno: Right. Of course, no bid is in yet. The bids will finally come in in November. That's the plan at this time. There is an interministerial committee established, headed by the Deputy Minister of Transportation, and including the Ministry of Finance and the Ministry of Economic Development and Trade, and the provincial facilitator is also involved. There are a number of ministries represented in this committee, a high-level committee that will ultimately select or at least make recommendations to cabinet, as you said, between the two consortiums. Financial advisers have also been retained, as well as a traffic and revenue consulting team. The process is being reviewed by a broad number of people.

The Chair: Mr Arnott has the final question.

Mr Arnott: Presently, the Ministry of Transportation looks after many construction jobs on the provincial highways. I understand that, the way it's generally done, there's a five-year plan for construction that is adhered to and there's a great deal of discretion, I believe, on the part of the minister in terms of making priority decisions on what projects go ahead first.

Now, you've told the committee that this new transportation capital corporation will eventually take over all the financing for all the highway construction in

Ontario. I just wonder where that leaves the minister in terms of his authority as minister to make a decision on a priority project.

Mr Salerno: The ministry and the minister will continue to set all transportation priorities. It will be the minister who goes forward to treasury board for approval of the capital budget. Where the process will be somewhat different is that the minister will have, once the corporation is established, input from the capital corporation in ways that should facilitate the financing of projects. Perhaps the minister could make a, let's say, more compelling argument for additional financing of projects when the minister goes to treasury board. But the final decision in terms of priority setting will be the minister's.

Mr Arnott: The representation on the Ontario Transportation Capital Corp board, does it include the Deputy Minister of Transportation?

Mr Salerno: Right now, the board has not been established and those decisions haven't been made as to the board's composition.

Mr Arnott: The Deputy Minister of Finance sits on the Ontario Financing Authority, I believe, as a statutory chair. There hasn't been any arrangement with respect to the Ministry of Transportation?

Mr Salerno: No.

Mr Arnott: Okay.

The Chair: Mr White has a question and it is the final question.

Mr Drummond White (Durham Centre): I think many of us have been impressed with the kind of timetable that you were elucidating earlier. In my area, which has been transportation-starved—that's Durham region—we have a grand total of some six lanes of access to Metro Toronto—no, eight; excuse me. We're promised eight, the same ones. The eventual arrival of the 407 is something which has been long awaited, and you were indicating that this would be sped up through this mechanism. Aside from the work of the provincial facilitator, what is the timetable that you were elucidating?

Mr Salerno: For the 407?

Mr White: Yes.

Mr Salerno: The 58 kilometres from Highway 48 to 401 in the west end are now anticipated to be completed by the year 1998, from the year 2015, as was under the current plan. Essentially, that was dictated by the availability of financing. This is clearly a way to accelerate financing for this project.

Mr White: So the speedup of some 17 years—we could see a similar speedup in the eastern part, to the connection of 115, and it wouldn't take until the year 2021 or whatever it is?

Mr Salerno: I think it was 2050 before it finally got—

Mr White: It was 2050?

Mr Salerno: It was 2020 or 2045; I know it was after I was somewhere else.

Mr White: Long retired.

Mr Salerno: Right.

The Chair: Thank you. We have one final presentation, Mrs Stewart?

Mrs Stewart: Have we time?

The Chair: We always have time.

Mrs Stewart: We have time; all right. If I can introduce Robert Watson, who's director with the Ministry of Finance currently, he may be able to answer a couple of questions on the Ontario Financing Authority. I think Mr Cousens had a couple of questions in terms of the impact of moving the borrowing activity of the province into the financing authority and what kind of costs that might have.

Mr Robert Watson: Your concern, sir, was with the cost or the control?

Mr Cousens: The control? No, the cost is the main issue.

Mr Watson: The purpose of the Ontario Financing Authority would be to coordinate the borrowing of the province and the capital corporations and arrange the scheduling and coordination so that there isn't a conflict; also to coordinate the timing and access of capital markets; also to manage the provincial guarantee; and also to assist the capital corporations in financing on what is referred to as non-recourse debt, for example, where there is a source of revenues like toll revenues or water and sewer rates, where they are supporting the debt, so that does not impinge on the credit of the province.

1700

The Chair: Fine, Mr Cousens?

Mr Cousens: I think so.

The Chair: Mr Phillips.

Mr Phillips: There's probably few things as fundamental as sort of the management of our debt and the legislative scrutiny of the debt and how it's all managed, and here we are about to approve turning this over to an independent, arm's-length agency, a schedule 4 agency. They are intended to be self-sufficient. They operate outside the consolidated revenue fund and have their own directors.

We are about to approve taking away from the Legislature something that one normally thinks is fairly fundamental to the public and the public scrutiny, and that is keeping an eye on the debt, the debt management and our credit rating and all of those things. There must be some overwhelming rationale for doing that before I think a Legislature would turn over that authority, remembering the schedule 4 agencies are independent, arm's length. They are set up for those reasons.

As I say, what we're giving up as a Legislature is the day-to-day scrutiny of it, the ability to deal with it as we would anything in the consolidated revenue fund, and I've yet to hear the compelling reasons why we should give up that in return for something that's as nebulous and as tenuous as what I've heard to date from the presentations of where the advantages are. Maybe you could help me a little bit. What's the compelling rationale for taking this out of the consolidated revenue fund and out of the day-to-day scrutiny of the Legislature?

Mr Watson: The borrowing program, the financing program of the province, would be disclosed in the budget as it is at present, the requirement for the capital corporation similarly, so the Ontario Financing Authority would be acting as a coordinator or in some cases arranger of these finances.

Mr Phillips: So can you tell us what's going on? I realize I may be being unfair to you, but what is the big advantage to the public in moving this out of the direct consolidated revenue fund and into an arm's-length agency controlled by an outside board of directors?

Mr Watson: Well, there's a reporting relationship between that board of directors—it's chaired by the Deputy Minister of Finance, and then that corporation reports to the Legislature through the minister.

Mr Phillips: I know that, but what's the advantage to the public of setting this thing up?

Mr Watson: The idea is to have an agency that is specialized in the financing activities in terms of cash management, financing arrangements, relationships with the rating agencies, and these sorts of things, to avoid duplication of that in each of the capital corporations.

Mr Phillips: That presumably already kind of exists within what's now called the Ministry of Finance. What's unique about this thing that it gives a benefit you couldn't have leaving it where it is?

Mr Watson: The approach that was felt would create this coordination and especially expertise in the best fashion is to have it in the Ontario Financing Authority.

Mr Sutherland: If I could just add one comment, though, to what Mr Phillips said, I think he said we're taking away the day-to-day accountability from the Legislature. I don't agree with that statement. The Minister of Finance will still be responsible and accountable on a day-to-day basis as the Minister of Finance would be now through question period, whatever, and also through the existing committee. So I

don't think that statement is fair to say we're taking the accountability out of the Legislature.

Mr Phillips: It's like workers' compensation; it's the same thing.

Mr Sutherland: No, it's not like workers' compensation because, as you know, workers' compensation is not a schedule 4 agency, and there's a much different degree of accountability mechanism in schedule 4 agencies than there is with some of the other agencies, particularly the Workers' Compensation Board.

Mr Phillips: Not according to their own definitions of schedule 4 agencies.

Mr Cousens: Will your data appear in estimates? Just on what Mr Phillips is asking about, you have your committees, it'll report to two committees, public accounts and general government or agencies or something, but will we see it in estimates? The answer is no.

Mr Mammoliti: How can you ask a question and answer it at the same time?

Mr Cousens: Confirm whether or not it's true. Will it appear in estimates?

Mrs Stewart: If I might submit, the annual budget will clearly demark the amount of capital investment the province will be undertaking in the medium-term plan, whether it's a part of the corporation's investment plans or the ministry's investment plans. Generally, through the estimates committee process, any information that relates to the financing of any of the activities for which a minister is responsible can certainly be queried at that time through estimates committee.

Mr Cousens: With all due respect, you can ask the questions but you won't get the answers. If the data are not provided through the estimates procedures and in the documents, then the committee can rule you out of order, as has happened with the IWA, but it doesn't fall under schedule 4 agencies. The concern I have is the removal of the authority from the legislative arena.

Mr Hope: It does if you look at page 16 of the presentation. She made it very clear in the presentation on page 16.

The Chair: I think we've gone through the four agencies. That completes the committee's work for today. I would remind committee members that we commence public hearings tomorrow morning at 10 o'clock and would ask all members to be here at 10 o'clock so we can get started in a timely fashion. I would ask also that the subcommittee spend a few minutes after this meeting so we may talk about Bill 40. The committee's adjourned.

The committee adjourned at 1710.

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Sorbara, Gregory S. (York Centre L)

Wessinger, Paul (Simcoe Centre ND)

*White, Drummond (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Cousens, W. Donald (Markham PC) for Mr David Johnson

Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

Mathysen, Irene (Middlesex ND) for Mr Fletcher

Phillips, Gerry (Scarborough-Agincourt L) for Mr Sorbara

Sutherland, Kimble (Oxford ND) for Mr Wessinger

Also taking part / Autres participants et participantes:

Casey, Tim, assistant deputy minister, realty group, Management Board of Cabinet

Merritt, Jim, executive director, clean water transition team, Ministry of Environment and Energy

Salerno, Tony, director, investment strategies, Ministry of Transportation

Stewart, Barbara, executive coordinator, treasury board division, Ministry of Finance

Sutherland, Kimble, parliamentary assistant to the Minister of Finance

Watson, Robert J., director, capital markets research branch, Ministry of Finance

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Mardi 17 août 1993

Standing committee on general government

Capital Investment
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Tuesday 17 August 1993

The committee met at 1003 in the Humber Room, Macdonald Block, Toronto.

CAPITAL INVESTMENT PLAN ACT, 1993

LOI DE 1993 SUR LE PLAN D'INVESTISSEMENT

Consideration of Bill 17, An Act to provide for the Capital Investment Plan of the Government of Ontario and for certain other matters related to financial administration / Loi prévoyant le plan d'investissement du gouvernement de l'Ontario et concernant d'autres questions relatives à l'administration financière.

The Chair (Mr Michael A. Brown): The standing committee on general government will come to order. The purpose of the committee's meeting today is to have public input into Bill 17.

BETTER ROADS COALITION OF ONTARIO INC

The Chair: Our first presentation today will be made by the Better Roads Coalition of Ontario Inc. Welcome. For your information, the committee has allocated half an hour of time for your presentation. You may wish to use all of it or reserve some of that time so the members may have a conversation with you.

For members' information, we will be doing the questioning during this period by way of rotation, starting with the Liberal Party, the Conservative Party and then it will move, and the time will be allocated equally among the caucuses.

So, good morning. If you would like to introduce yourself, you may begin.

Mr Harold Gilbert: My name is Harold Gilbert, chairman of the Better Roads Coalition, and with me is David Bradley, who is vice-chairman of the coalition but also is from the Ontario Trucking Association. Our vice-chairman, Pat Curran, is with the Canadian Automobile Association. I'm sure all of you are aware of Pat. She's been around for some time. She's really a very young person but she's been around for some time. Then there is Brian Crow of the Ontario Motor Coach Association.

I wish to make a short statement at the beginning and I would say that the majority of our time would be for questions for the members to ask. First, I want everyone to understand we are dealing with part III, the Ontario Transportation Capital Corp. We have not spent the time on the rest of the bill. Of course, our concern is mainly to do with the ability to operate toll roads.

The Better Roads Coalition, being a coalition of road users, had been hesitant to support alternative means of financing our roads when revenues from the direct road user taxes provided over \$1 billion per annum more

than is being spent on our roads. However, faced with an economy that continues to sag and a road system that badly needs expansion, we strongly supported the principle of Bill 17; that is, the Capital Investment Plan Act.

As outlined in our November 1992 paper, which I'm sure all of you received, entitled Alternative Road Financing—Toll Roads, the Better Roads Coalition proposed a number of conditions to achieve this objective.

First, tolls must not be collected on existing roads. The program is intended to accelerate road construction and therefore must only be applied to new construction.

Second, construction priorities of toll roads must be based on appropriate needs studies.

Third, toll roads must only be constructed where existing roads would provide road users with an option to bypass tolls if they so choose.

Fourth, all moneys collected as tolls must be dedicated funds to be used exclusively to retire the capital and administrative costs of the facility on which it is collected. Once this debt is retired, such tolls must be removed.

Fifth, an agency should be set up by regulation or legislation to borrow capital funds to build the facility and collect funds to pay for the investment. These funds would then be protected by legislation for the construction of the facility.

Sixth, tolls must not be viewed as an excuse to relieve the government from its obligation to provide funds for the maintenance and expansion of the road system. Otherwise, the principle of tolls to accelerate construction would be subverted.

Finally, the disparity between road user revenues from the gasoline tax, fuel tax, licences and permits and the government's expenditure on roads must be reduced as quickly as possible.

Therefore, the Better Roads Coalition took strong exception to clause 40(c) as it referred to maintenance costs and subsection 47(2) as it referred to any highway being designated as a toll highway, particularly after Premier Rae had made specific reference to applying tolls to the construction of new highways only.

Our concerns led to discussions through the Treasurer, Floyd Laughren, with his staff and with senior staff from the Ministry of Transportation. At this time, we wish to thank the staff of both ministries for their cooperation. These discussions, we understand, led and are going to lead to subsection 47(2) being repealed and

replaced by new subsections 47(2), 47(2.1) and 47(2.2).

Although maintenance is still included, we accept this as it refers to the maintenance of the capital infrastructure rather than what we calmly think of as maintenance: the normal winter snowplowing etc. We also accept that it is necessary to include the maintenance reference in any private sector financing agreement.

We're also particularly pleased to understand that subsection 47(2.2) requires that tolls be removed when the capital construction costs have been discharged. Therefore, with these amendments, the Better Roads Coalition withdraws its objections to Bill 17 and we strongly urge the early passage of the bill.

I have, as I said, members of our executive here. If I could, I would ask if they have anything to add to what I said.

Mr Gerry Phillips (Scarborough-Agincourt): Just as an aside, I think, now that virtually everybody else has the amendments, perhaps the committee members might also see the amendments that are proposed. Just as a courtesy, perhaps, it would be helpful.

Mr Gilbert: We haven't seen the final amendments. What we have had are discussions with the ministry as to the amendments it proposes to put in.

Mr Phillips: I appreciate that. You're just well ahead of us, because the government hasn't shared the amendments with us yet.

Mr Kimble Sutherland (Oxford): The final wording of the amendments isn't here as yet and should be here tomorrow morning for all the committee members.

1010

Mr Phillips: I appreciate the support of the coalition on the proposal and, as we've always said, there is some merit in what's being proposed. One of our concerns, I think you probably heard, is that it would run the risk of running up some substantial debt in these capital corporations that we are worried about. But my question really to the coalition is, how do you see this thing down the road? How will the responsibility for construction of transportation split between the ministry and the corporation and how will one set the priorities of what roads will be built by the corporation and what roads will be built by the province?

My worry is this, that clearly, if you are a government besieged by debt and deficits, you will make a decision to fund your roads by toll roads, I would think, because you can continue to build. But that may not be the number one priority for the public. The number one priority for the public may be refurbishing of other roads, but there's an enormous bias if you're the government to funding construction through toll roads and therefore distorting the priorities. How does the coalition see that responsibility splitting and what assurances have you had from the government on funding for traditional road construction?

Mr Gilbert: Certainly, Mr Phillips, that was a concern of ours even when we were putting our paper together, when we were saying how we would support it, and that's why we put in those conditions such as that "tolls must not be viewed as an excuse to relieve the government from its obligation to provide funds for the maintenance and expansion of the road system. Otherwise, the principle of tolls to accelerate construction would be subverted." We were addressing just what you had mentioned, and that is the fact that we want to see the funds that are already being collected from the road users continue to go to the expansion of existing roads.

In our discussions with the ministry we have clarified really what it was talking about when it talked about specific roads, such as the 407 and other highways. We don't see a QEW, we don't see a 400 or highways like that, existing highways, being paid for from toll roads. In fact, we strongly object to that. So when you say, "What guarantee have we got?" we have tried to build it into our support for the concept of toll roads, because we certainly agree that would be the wrong thing to do. I don't know whether my colleagues want to add to that.

Mr David Bradley: I think perhaps, as well, if we use the model that appears to be unveiling itself now with private consortia becoming involved, they'll be compelled, before they start risking their finances, to look at the economics of the situation. If you're going to be building a highway for which there's not a demand or a highway where people simply will continue operating as they have been, the economics aren't going to be there and likely you won't get private involvement at that point. Maybe that doesn't relieve the concern you have over debt rung up by the corporation, but I think that it brings some private sector business principles to bear on the investment that perhaps were lacking before. So I guess we can't look after all occurrences or things that might happen, but we think there are some natural checks in the system that don't exist now.

As well, I believe that the ministry has been approaching our group lately to look at new ways of looking where investment should be made and I'm pleased with the approaches made so far, that perhaps we might be able to come up with highways that there's agreement are of provincial interest, as opposed to situations now where you simply pave anything and fix anything. There are only so many dollars to go around and they appear to be going at it in a more intelligent way than perhaps in the past.

Mr Phillips: I have no difficulty with the finance end of this. It is essentially borrowing from a different source, in my opinion. It's happening in the transportation corporation, it's happening in the realty corporation and it's happening in school construction, that the debt

is being moved to a different place. The consortium, I presume, will fund the road on the assumption that they will get a return on their investment through user pay. That's understandable, but it's a different way of funding debt for the province.

My second question is, because a criterion now is that there have to be alternative routes available to move, what changes have to be made in the construction of a toll road? Presumably the construction of Highway 407 will be different or at least the construction on the ancillary roads will have to be different than they would have been otherwise.

Mr Gilbert: I have a problem, Mr Phillips, when you say the difference in construction. Is this the actual physical construction? If it is, in our opinion, as the Better Roads Coalition, we would see it being built with the same high standards that Highway 401 or—

Mr Phillips: I understand. I'm saying Highway 407 was designed to be publicly accessible, and therefore, presumably, you wouldn't have had to construct other roads alongside it that would provide options. I'm just wondering, now that it is a toll road but one of the criteria is that the local people have to have an alternative, has the coalition any thoughts on how one would construct differently the alternative routes available to residents so they wouldn't have to use Highway 407?

Mr David Bradley: I think the alternative routes, if you use Highway 407 as the example, already exist; it's Highway 401. If you choose to continue using Highway 401, so be it; you can do that. We've not given thought perhaps to access, to egress, to alternatives. That may be something that has to be considered further. But more I think there's an issue in terms of construction of the toll highway, because you want to ensure that traffic moves efficiently through whatever toll system is put in place so that you don't have traffic slowing down and bottlenecking to throw quarters in the box or whatever. We've urged, and I know that there's a study under way now to ensure that the most up-to-date technology for toll collection is used. I think that for us that's more of a concern than the alternative highway, which in most cases we believe will exist.

Mr W. Donald Cousens (Markham): I appreciate the efforts that are made by the coalition. I think you're vigilant, you're on the mark, you're working there in the best interests of commuters and people who are on the roads, and I commend you for it. I wish there were more such organizations as qualified and as interested and as conscientious as you are as a group. Just don't let up on it. The fact that you're ahead of us, as Mr Phillips points out, on the amendments is to your credit. It's not for our lack of trying. But it was good news yesterday when we saw the changes made to section 47 on the toll roads. That just was such a repugnant thing to have in there, and the fact that they have backed off is good news.

There are two or three elements. The one issue I'm still questioning is that no one yet has completed the financial analysis that will be required to identify the total cost and how much will be collected on the toll roads. What kind of tolls would you see as being responsible or expected on such a road and for the distances travelled? I don't mean the guys who are picking people up in these little carts down in Toronto; you pay so much a block. Maybe you could give us a sense as to how good or bad the message is going to be when we hear it.

Mr Gilbert: Certainly, Mr Cousens, we are not in a position to make a recommendation to government as to what the tolls should actually be. I think it gets back to what David was talking about. The discipline will be in the number of people who use it. If they're not competitive, as long as there are alternative roads available, such as Highway 401 and Highway 7, then they'll use them.

I think one of the best examples of that was when they built the Burlington Skyway, long before everybody else other than I guess me was around. There, at the beginning, a lot of truckers would not use the toll bridge until they were sure that the trip over the toll bridge was competitive to going over the other bridge. I think that's the kind of discipline that will have to be built into the setting of tolls regardless of whether it's the private sector or the public sector or whoever wants to charge. That will be the discipline.

1020

Mr Cousens: That's a good answer. To me, market forces are something that do keep a balanced set of books if people really want to do it, and that's good.

Mr Gilbert: That's right.

Mr Cousens: One of the things that was mentioned yesterday in Ms Stewart's presentation had to do with—she touched on how the corporation will repay the indebtedness. The one here that I hadn't seen before says, "Earmarked transportation-related revenues (such as fuel taxes, driver licences and vehicle registration)." I haven't seen the government till now put in writing that it is prepared to earmark certain related revenues for the construction of roads. I think it was done at one time. Maybe you could just comment on this statement that was made by the government.

Mr Gilbert: I haven't seen that statement, but I think I speak for my colleagues here that we would be delighted if the government started to actually earmark the dollars it's collecting now towards roads. That's the recommendation we've certainly been making for some time.

Mr Cousens: Yes, I support it as well.

Mr David Bradley: I think there was a lot of discussion of that through the Fair Tax Commission hearings when people from whatever political stripe

they might be were making that point. I think people are looking for value for money. They want to see where their money's going and not have it go into a black hole. That was one of the objections raised with the tire tax. They took that off in the last budget. Perhaps it's a sign of things to come and we in the trucking industry would certainly support it.

Mr Cousens: That's good. That's it.

Mr Ted Arnott (Wellington): Thank you for your presentation. You've a lot of credibility on this issue in terms of advocating the construction of 407 and paying for it with toll roads. You've been advocating that for some time, and I think your advice to us is very helpful.

We heard yesterday from the individual who was answering questions on behalf of the government on behalf of the Ontario Transportation Capital Corp that it's the intention of the government eventually to finance all provincial roads through this corporation. I believe, if I'm not mistaken, that's what we heard yesterday, that the financing and the construction of all new provincial roads would be through this corporation.

I wonder where that leaves the municipal roads.

Mr Gilbert: That would be something, I can tell you, that our members would find very difficult. That's the very reason we laid down the conditions. From our point of view, there are specific highways with these kinds of conditions that you can apply tolls to, but to start to apply it to a lot of existing roads, we strongly object to that, and we've been given every indication from our discussions not only with government but with staff of both treasury and the Ministry of Transportation that there is no intention of—

Mr Arnott: I'm not saying that tolls would be applied to every new road, but the financing arrangements would come through this corporation.

Mr Gilbert: I don't think I can comment on that.

Mr Arnott: It's a long-term plan, I guess.

Mr Gilbert: I think that gets back to what Mr Phillips was talking about.

Mr Arnott: Your organization would still support the need for strong support from the provincial government for the building of municipal roads?

Mr Gilbert: Oh, yes, very definitely. In fact, we have made our position known a number of times. Yes.

Mr Sutherland: It's nice to have an organization supportive of a piece of legislation to start off our hearings. I think it shows that the process has been working, because your organization has been providing quite a bit of advice on how the legislation should read with respect to tolls and I think there has been accommodation for the wishes of your organization.

Before I ask you to comment, I want to clarify that while there may be the option of municipal roads being funded through this, there have been no formal deci-

sions made on that. No consultation has occurred with municipalities as of yet, and that process would have to occur before any decision of that nature would be taken. But there is the option for doing more financing of different roads through this, through the corporation.

I'd be interested in hearing specifically, both from Mr Bradley and Ms Curran, from their organizations, on what they see the impact being of accelerated construction of Highway 407 through this type of mechanism.

Mr David Bradley: Certainly, from a micro sense, the impact on the trucking industry, it presents great possibilities in terms of relieving the excessive costs of congestion the truckers face moving across the top of Metropolitan Toronto. That impacts not only on carriers from Metro, but also from the province as a whole because Toronto is such a magnet for the movement of goods.

The Metro Toronto goods movement study of 1989 at that time estimated that the cost of congestion in Metro was about \$2 billion a year. To the extent that we can impact upon that and reduce that cost, that will help with the competitiveness of the trucking industry. If we're more competitive and the cost of moving freight goes down, that will have benefits for the manufacturers and shippers of this province as well.

From a more macro point of view, we believe this project, the accelerated construction, will increase the demand for many of the products that our carriers move, and also in terms of jobs, and perhaps stimulate some consumer spending and confidence in the province as well. From a macro point of view, we're supportive as well.

Ms Pat Curran: In principle, the Canadian Automobile Association is against toll roads. However, our membership, as well as the organization, recognizes the benefits that would come about with the acceleration of a roadway such as 407. With this in mind, we have agreed to the conditions that have been set out by the Better Roads Coalition to accept tolls on newly constructed roadways.

In a very recent public policy survey of Canadian Automobile Association members they stated by a majority that they agreed with tolls on newly constructed intercity highways. They were, by a great majority, against toll roads on existing roadways and also against, by a great majority, tolls on roads that would be put on to deter motorists from travelling into a downtown area. They agree that we need an expansion of our highway system to help alleviate congestion and for safe travel throughout our province.

Mr George Mammoliti (Yorkview): You talked a little bit about the positive impact it would have on truckers in terms of jobs. Can we just elaborate a little bit more? I want to ask you to pretend that there are a number of construction workers behind you at this

point, construction workers who would have been out of a job for a couple of years, two or three years, many of them in my riding, who are sitting behind you right now listening to your response.

The question I wish to ask at this point is, in view of what's happened over the last three years in terms of the economy, in terms of the worst recession since the 1930s, would you not agree that this is certainly an initiative that's expected by the public from its government, and will these people behind you who are watching you right now go back to work? I'm talking about construction workers. I'm talking about the cement industry. I'm talking about all those trucks that are parked right now and haven't been doing anything for the last couple of years. Do they have a hope?

1030

Mr Gilbert: Certainly I think in general, and perhaps my colleague could go on, but you're really speaking to the converted, because as the Better Roads Coalition we have been saying this for some time. Here is a chance to do two things: one, to improve the economy, and the other, it isn't money that is just being thrown away. The road system in Ontario badly needs it. It badly needs expansion. So this is why we've been saying for a number of years, put it into roads for those two reasons. It isn't just a so-called make-work program by any means, because those roads are badly needed, and as David Bradley of the truckers has said, certainly their industry alone requires that.

Do you have anything to say?

Mr David Bradley: No, other than to say that I believe this highway is an economic corridor and that no economy is going to be competitive, is going to be able to maintain jobs unless it has a competitive infrastructure. The infrastructure in Ontario has been allowed to lag over the last 20, 25 years and therefore we have to play a lot of catch-up. That means we've had to look at alternative and innovative ways of financing. It means an industry like mine has had to go out on a limb a bit on this.

We don't want more taxes. There's enough money there now, but we can continue to do that dance and we wouldn't see Highway 407 in our lifetime. That's why we had to go out on a limb to get things moving again, both moving within our industry—but our industry is simply a reflection of the economy. We're a drive-demand industry and if the economy moves, there's some product for us to move. This again we see is a key way in the short term to stimulate growth and jobs, but over the long term we have to make this investment or we're not going to be competitive.

At one time Ontario's highway system, I think, was the jewel of North America and certainly far surpassed in terms of its quality the interstate system in the US. I can't say that now. Governments in the United States have dedicated taxes through the federal highway trust

fund for years to the highway infrastructure and as a result they've been able to maintain and expand their system. Here it has not. Our taxes have been viewed for the most part as sin taxes and they've gone into the black hole. I'm not saying it hasn't been funding useful things, but we've allowed the highway system to fall into neglect.

No matter what you might feel, we need those systems, we need the east-west arteries and the north-south arteries to move our trade. We're a trading economy, and without that capacity we're going to have bottlenecks in the system. We're not going to be competitive, we're not going to be able to sell into the US market, and that's what we have to be able to do.

Mr Brian Crow: I would like to add to what Mr Bradley said. The jobs you talk about, I guess, are the direct jobs, and I'm no expert but I understand that highway construction is labour-intensive and is going to create those jobs. As Mr Bradley pointed out, the secondary thing, if we have better roads, if there is less congestion, we can become more competitive, and my industry sure wants to move those people, more people to work. If you're creating jobs, we're moving more people to work.

We want to become more efficient. We have to compete. We're losing business to south of the border, so we have to have better highways to compete and to put people back to work. We've lost a lot of jobs and we want them all back to work. So the direct benefit to our industry is that we'll be moving more freight and moving more passengers and that means more jobs.

The Chair: Thank you to the coalition for coming today. We appreciated your presentation and I'm sure the members will be closely watching it as we go through clause-by-clause.

PROVINCIAL AUDITOR

The Chair: The next presentation will be made by the Provincial Auditor, Mr Erik Peters. Good morning, Mr Peters. As you're aware, you've been allocated one half-hour by the committee for your presentation. If you'd like to introduce yourself and your colleague, you may begin.

Mr Erik Peters: Thank you very much, Mr Chairperson. I'm Erik Peters. I'm the Provincial Auditor for the province of Ontario, and with me is Ken Leishman, who is an executive director in my office.

Before I start in, I have about a 15-minute presentation prepared for you. Mr Phillips, you seem to have a copy already. That's fair enough. I had asked for it to be distributed later on in my presentation but I'm glad you have it. I'll walk you through it later on. I'll make a presentation for a few minutes and then I'm open to questions by you on anything that you would like to put my way by way of questions.

Thank you very much for giving me time with your committee. I consider this legislation as very important,

because Ontario now adopts an approach to cope with debts and deficits which is already followed in other provinces, notably British Columbia and Saskatchewan, but there is a price to pay in terms of accounting and in terms of accountability to the Legislature. I would like also to thank you for giving me the opportunity to attempt to bring the accountability features into this legislation.

My office was not invited to advise on this legislation and we followed the process of drafting Bill 17 through snippets of information which ministry staff were willing to share with us. We are grateful for that. Through that occasional glimpse, we saw accountability clauses appearing and disappearing in the draft legislation without being able to provide input or without finding out why these clauses were disappearing. This kind of spectatorship became somewhat uncomfortable when memoranda of understanding were offered as the main accountability mechanism to govern these corporations without finding the necessary support in the legislation for those memoranda of understanding.

As you know, I'm an officer of the Legislative Assembly and the Legislative Assembly is the principal client I serve, and I serve that client through the standing committee on public accounts. The public accounts committee has been unanimous and swift in supporting my efforts to pursue a workable legislated accountability framework with the central agencies.

In this process, I view Bill 17 as a first opportunity to enhance legislation for better accountability with the view that value for money be obtained. It is the result that I'm interested in, to ensure that we are obtaining value for money for the taxpayers' dollars.

I'm mindful that ministry staff have expressed similar concerns about the need for embedding accountability in legislation rather than using only memoranda of understanding. Memoranda of understanding are essentially an administrative tool, but they're not tools that assist you, as members of the Legislative Assembly, in ensuring that you have the right tools to monitor, to control and take corrective action where necessary as these corporations are starting down the road and undertaking their activities.

I quote from some of the material that has been prepared within the agencies to support this. They indicate in a study that was conducted in 1991:

"A corporation should be established under the authority of a separate act"—which you have before you—"which sets out the organization's mandate and corporate powers based on a determination of the powers needed to realize that mandate. The more precise the determination of mandate and powers, the less likely the organization will drift off its intended course or function in an unanticipated manner by virtue of exercising powers which effectively alter its intended function."

They continue to say: "A legislative mechanism is needed, establishing the requirements to submit annual corporate operating and capital budgets, an annual corporate plan and payment of surpluses, if any, to the government."

These are just some of the thoughts that the staff themselves had expressed.

1040

In my proposals for improving the accountability provisions for the capital investment corporations, I'd like to mention that these are based on the following principal considerations:

The corporations are taking on operational and financial activities carved out of the operations and financial activities of the consolidated revenue fund. Therefore, the accountability and auditing provisions should at least be equal to those governing the consolidated revenue fund.

The Legislative Assembly should have controls over the corporation's revenue and spending and over the total provincial debt through legislation since memoranda of understanding are outside the scope of the Legislative Assembly.

Another reason: The accountability rules should be strengthened to provide a financial position statement which combines the consolidated revenue funds and these corporations, and indeed all other government-owned corporations, so that the public has a picture of the overall financial position of the province.

A second and most important feature is that there should be a provision that loans are only set up as assets if they are repaid from revenues and not from future grants, because if it is the grant route, it is just sticking money from one pocket into the other, and that does not represent an asset of the government. And there should be the ability to conduct value-for-money audits in the legislation.

A second principle is that the corporations look forward to partnerships with the private sector. For this reason, the accounting rules should be the same as those for the private sector; that is, they should follow generally accepted accounting principles—and that was embedded in the original press release for these corporations—not the modified cash basis which is used by the consolidated revenue fund.

There should be the facility for the government to approve multi-year capital projects. As you know, currently a budget process is followed where the government approves annual budgets with a stop and go at the end. But if you look at multi-year capital projects, a mechanism has to be in there to establish these projects so that they can be pursued in the most cost-effective manner as they go along, without the fear of interruption as they go along.

The ability to recognize and account for and therefore

manage and properly be accountable for physical assets in these governments should be created. That's one of the things we're all about. Some of these operations are created so that we can in a way not just mortgage the future ability of the province to collect taxes but also the assets which are owned by the province.

The memoranda of understanding are an element of an accountability framework useful in specifying and detailing accountabilities, but they cannot replace legislated accountability provisions such as the ones that you have now before you. I think they have been distributed and I would like to walk you through these if I may for just a moment.

Firstly, the first one that deals with management responsibility on first glance may look to you like motherhood inasmuch as it talks about keeping proper books of accounts and records in relation thereto and having the financial management control and information systems and management practices in respect of the corporation and any subsidiary corporations. That is sort of motherhood stuff.

But the second section is the important one. In other words, the first one lays the foundation for doing these things, but the second one gives the purpose. That is a very important purpose to me because there should be (a) reasonable assurance through the legislation and through the legislators that the assets of any corporation and of its subsidiaries are safeguarded and controlled, (b) that the transactions are in accordance with this act and the bylaws of the corporation and any subsidiary, and (c), and this is really the one closest to my heart, that the financial, human and physical resources of a corporation and of any subsidiary corporation are managed economically and efficiently and the operations are carried out effectively.

The key feature of why I would like to see this embedded in the legislation is so that management is charged with this responsibility, and when the audit is pursued we can deal with a stated management responsibility as opposed to imposing these standards or rules through an audit. It would be far better if they are embedded in the legislation and they are part of the day-to-day features of management activities as opposed to proposing them through the Audit Act on to these corporations.

The key reasons I am making the proposals are very evident.

Firstly, as I've just explained, it makes management responsible in generic terms for the maintenance of books, records and systems for the purposes outlined in section 2.

It makes appropriate internal auditing a management responsibility. These organizations are big; we are talking about billion-dollar corporations, so occasional external audits cannot accomplish what a sound internal

auditing regime can accomplish within the corporations.

The third key reason is that it provides the legislators with the ability to assess performance of management which a memorandum of understanding would not provide. Essentially, a memorandum of understanding is just an agreement between one set of bureaucrats with another set of bureaucrats; it's not one that involves, necessarily, the Legislative Assembly.

The second proposal deals with audit provisions, and although when you compare the wording that is currently in Bill 17 with this wording it may appear superficial, there are very fundamental and deep reasons why I make these suggestions.

Firstly, stating that the Provincial Auditor is the auditor of a corporation invokes the provisions of the Audit Act which you have given me to work under for these corporations. The previous wording merely talked about providing annual financial audits, and that would be inadequate because it would avoid applying the value-for-money audit provisions which are embedded in the Audit Act, particularly through the word "annual" because obviously we cannot do annual value-for-money audit; that would not be cost-effective auditing. They have to be done periodically because we have to also give management a chance to take corrective action.

The second part of this proposal is very deliberately done. It is that the Provincial Auditor, or another auditor appointed by the Lieutenant Governor in Council, shall be the auditor of a corporation. This second provision is one that I encourage as well, because if these corporations go into partnership with the private sector, the private sector partner may very well wish to have its auditors look at the books of the corporation or the books of the project. This would permit the government the facility to facilitate that private sector partner to get in there and have a look at the books itself for its own purposes. Hopefully, they will pay for it, but it's a matter that this facility simply has to be there in order to achieve the mandate of going into partnership with the private sector, because they view the Provincial Auditor as just as much of a government mechanism as anybody else.

The third proposal is for more explicit annual reporting provisions principally aimed at you, the legislators, being able to assess the performance of these corporations.

There are four features we are outlining here.

One is that financial statements for the corporations and any subsidiary corporations should be prepared in accordance with generally accepted accounting principles. One of the things that is missing from the legislation is essentially the explicit statement that they will follow generally accepted accounting principles. That was in the original intent when the legislation was announced and we didn't find it specifically mentioned

in the act, so this feature would bring it as an explicit statement into the act.

The second one is that there shall be an auditor's report, and that has to be a standard so you can have my assurance as to the fairness of presentation that allows me to express my service to you.

1050

The third is a statement on the extent to which the corporation has met its objectives for the fiscal year as set out in the corporate plan. That is results-oriented; that is telling you how well they've performed.

The fourth is quantitative information respecting the performance of the corporation. You have heard already, and I've heard along with you and you will hear other people's expectations as to how many miles of road they're going to construct or what they're going to do. You'll probably want to know this quantitative information, and this is to ensure that it is contained in the annual report.

These quantitative pieces of information should be relative to the corporation's objectives and shall be prepared in a form that clearly sets out information according to the major businesses or activities of the corporation and of its subsidiaries. This shall not preclude at all non-quantitative information, which is very often as important to you as quantitative is, but it's at least encouraging the quantitative which may lead to better explanations of non-quantitative or qualitative expressions that may be brought before you.

Therefore, to reiterate, the reasons are: to incorporate generally accepted accounting principles in the legislation; to include the auditor's report and to whom it shall be addressed, to ensure it goes to the right parties; to provide accountability for achieving objectives; and for performance-oriented reporting.

On the last section, I must admit I had a fair bit of discussion with my own staff and some soul searching as to whether to present it to you, largely because it is somewhat outside the purview normally of the auditor to deal with the planning and budgeting provisions. I decided to include it because, on detailed reading of the act, I just could not find specific expressions as to how and in what format and with what content these corporations were supposed to present their plans to the Legislative Assembly.

Therefore, just to go through the salient features, it should be approved by the appropriate minister and the minister then should recommend it to the treasury board for approval so that it can be included in the estimates.

The corporate plan shall be all-encompassing and shall have all the activities of the corporation. It shall state the objects for which the corporation is set up. It should state the corporation's objectives—and this is a recommendation of mine—for the next five years and the strategy that the corporation is going to employ to meet those objectives.

It should show the corporation's expected performance for the year in which the plan is submitted. In other words, where do they stand now so that you have a picture of where they stand now so you can assess the future plans? Under the old saying, the sooner you fall behind, the more time you have to catch up. It gives you a little bit of a start.

The operating and the capital budgets of the corporation for the next following fiscal year of the corporation shall be presented. This is an important feature, because these corporations will have both capital and operating plans.

Point 4 gives a mechanism under which the corporation advises the minister and the Legislature if there is a significant change in activities, either brought about by external forces or others, so that the corporation doesn't run off on a course of action without advising the minister in due time as to what it's planning to do and what changes it wishes to make to its plan.

Point 5 merely says that the budget shall be all-encompassing and point 6 talks to the fact that the form should clearly set out all the activities.

Point 7 is the provision that the minister may approve capital projects for multiple years, over a number of years; this is, set the thing in motion and it happens for a number of years.

The key reasons for the proposal in this regard are that planning and budgeting were not generically covered in Bill 17 as it is before you; it provides for accountability to the Legislative Assembly for performance against objectives and plans—in other words, there's a performance orientation here, and that's really what this is all about, results; and it provides legislators with the ability to assess performance which a memorandum of understanding would not provide to the Legislature.

That ends my presentation and I'm very happy to answer any questions.

The Chair: Thank you, Mr Peters. Mr Cousins, there are about three and a half minutes per caucus.

Mr Cousins: I appreciate your coming forward. I think one of your points is that you're bringing responsibility to the government, accountability back to the Legislature, which I certainly talked about yesterday and which our caucus would support.

You are gutsy in making proposal D, I think, having been on the public accounts committee for quite a number of years. But I think you're moving in the right direction, that we really have to have value for money, have to have a sense of knowing what's happening and there has to be real openness in this accounting. It would make it very possible for the ministry to understand what's going on there without surprises.

I support where you're coming from. The one thing I'm a little concerned about is the communication

between yourself and the ministry prior to the release of the published first reading of the bill. I don't know whether the ministry would like to comment on that part of things. Was Bill 17 drafted by the ministry and were there opportunities that were forsaken or taken to have some dialogue with the auditor? What would your comment be on that?

Mrs Barbara Stewart: Indeed the legislation was drafted by a group of ministries in consultation with legislative counsel. There were opportunities taken to hear the views of the Provincial Auditor's staff some months ago and an attempt to incorporate what could be incorporated from those discussions.

Mr Cousens: Maybe Mr Sutherland could comment on whether the ministry might be prepared to set guidelines as presented by the auditor to be included in your amendments. As we haven't seen your amendments, would they address these concerns?

Mr Sutherland: First of all, let me say I did make a comment in my opening remarks yesterday that one of the amendments we'd be proposing would deal with the issue the auditor has raised in section B about the Provincial Auditor being the auditor or another auditor appointed for subsidiaries. We made reference to that as one of the amendments.

I guess the issue is that the auditor has been asking that these provisions be put specifically in the legislation. We have indicated that many of the suggestions he's put forward would be dealt with through the memorandum of understanding that would be drafted between the corporations and the appropriate ministries.

We should also be aware and I understand that there is an overall process going on between the auditor's office and several ministries at the deputy ministerial level about developing the overall legislative accountability framework, the mandate the auditor was given from the public accounts committee; that some of these issues that have been raised specifically with this bill are being dealt with in a much broader framework than just this specific piece of legislation.

So we believe that many of the suggestions would be incorporated under the memorandum of understanding. The auditor is requesting that it should be broader than that and put in the actual legislation to allow the Legislative Assembly to have more degree of accountability.

First of all, let's be clear that all the corporations have a responsibility to table annual reports with the Legislature. There are accountability mechanisms that way. This is a schedule 4 agency. The Minister of Finance has the ability to issue directives, and there is an absolute obligation to carry out the directives from the Ministry of Finance.

We believe there are very strong accountability mechanisms here to deal with some of these issues and

that it can be dealt with under being a schedule 4 agency and also under the fact of a memorandum of understanding, and whatever changes may come about from this overall legislative accountability framework process—the auditor is working with the central deputies—would also apply to these corporations as well as any other corporations in terms of what new mechanisms are there for greater accountability.

1100

The Chair: Mr Sutherland, you're using your own time at the moment.

Mr Sutherland: That's okay. They were basically some of the comments that I wanted to put on the record anyway in terms of what the auditor has put forward. His intent is to ensure that there is accountability?

The question now is, should we deal with Bill 17 specifically as the piece of legislation to have the new system, or should we ensure that we have the flexibility there that once this overall legislative accountability framework is worked out between the auditor's office and some of the ministries that are involved in doing that, this would still carry through to these corporations and they'd be subject to whatever that legislative accountability framework would be, and that in the meantime the memorandum of understanding and the other mechanisms the Minister of Finance has provide sufficient accountability.

Mr Peters: May I comment on that? The intent, as I outlined, was that I certainly do not see the two as mutually exclusive. In other words, I see that Bill 17 is being fast-tracked in order to establish these corporations. We want to have them in place by the fall of this year. I have absolutely no idea at this particular point when this new accountability framework that we're working on will be in place. So it would give an opportunity, and I've only made generic suggestions here, to embed accountability items in this legislation which, if amendments are necessary, could later be amended.

At the moment, I should say that I would not be satisfied, as the Provincial Auditor, if the memorandum of understanding would be the only accountability process, for two reasons: firstly, because it's not anchored in the legislation itself; secondly, as I've outlined, it is merely an administrative tool. Without dwelling on it, the current memoranda of understanding, in many instances, are not up to date. In one case, in one report that I've just made public, I pointed out that the last memorandum of understanding was signed in 1982 for a schedule 3 agency. We are now in 1993. It's 11 years after.

I would not find the memorandum of understanding process satisfactory for those reasons and would truly advocate using the opportunity to at least anchor some of these generic features of an accountability framework

in this legislation. We're talking about 12% of the funds that flow through the consolidated revenue fund which are carved out here. That is a fair chunk of money. If we, for example, have no opportunity to ensure that for that amount of money value for money is being obtained, I would think there is a problem here.

The Chair: Thank you, Mr Peters. My apologies to Mr Hope. Mr Phillips.

Mr Phillips: Is Mr Hope next?

The Chair: Their time has expired.

Mr Randy R. Hope (Chatham-Kent): He has just given me an apology.

Mr Phillips: Oh, thank you. I really appreciate your presentation and I share your concerns. I happen to think that the way the province is allowed to keep its books does not provide the public with an accurate assessment of the finances. That has nothing to do with the NDP, because that's the way the books have been set up for years. I think that's one of our problems. We do not have, in my opinion, accurate year-to-year comparisons. My own view is that if this were a company, you'd never get it listed on the stock exchange because you cannot report accurately to the shareholders the state of the finances.

I very much appreciate the role that you are—

Mr Hope: It's creative bookkeeping.

Mr Phillips: It is creative bookkeeping, and I'm not saying it's just you people. I think every government has had the ability to do that. Therefore, I like your recommendations and I think they're solid.

I had a subsidiary issue that you can, I hope, maybe be helpful on. My own view is that one of the motivating factors behind this is to find new ways of essentially funding or hiding debt. The loan-based financing for schools, hospitals, universities is going to run up a debt on someone else's book, which the province has sole responsibility for funding. That'll be \$3 billion in five years; it'll be, I think, \$15 billion in 20 years, a huge debt.

Secondly, I think the selling of the government buildings to the realty corporation and then leasing them back is essentially just a way to borrow \$250 million each year, and the lease payments will be the cost on that debt. As to the sewer and water corporation, I think we're now moving to "loan-based financing," which means instead of \$150 million a year in grants, it will be in "loans," but the obligation to pay the loan is 100% the province's obligation.

My question to you is really this: Can you, as the Provincial Auditor, be helpful to the Legislature in providing—firstly, are my concerns justified or am I being unreasonable, and secondly, if they are justified, how can the public and the Legislature get a reasonable year-to-year comparison of the finances of the province if we move to this kind of off-book debt financing?

Mr Peters: The methodology of following that is that we will have to work towards putting the books and the reporting of the province on to the standards that are currently promulgated in Canada for government accounting by the public sector accounting and auditing committee of the Canadian Institute of Chartered Accountants, and that's certainly a direction in which I propose that we move. They include most of the concerns you have expressed. In other words, they are advocating summary financial statements.

Saskatchewan, for example, which has followed the route right now of setting up these crown corporations, has had the Provincial Auditor bemoaning loudly, by qualifying their financial statements, the fact that they did not provide the whole picture in the public accounts. The federal government is doing a similar step. The record of the federal government is that the—I think the Auditor General of Canada has not given a clear, clean audit opinion on the books of Canada in any year except one, in which they've given a clear opinion. In all others, they have qualified it. These are certainly standards that are being strived for and I think they will take into consideration the concerns you have just expressed.

The other one I raised with you was the one about the loans receivable. The standard has just been pronounced that a loan receivable is not an asset of a province if the province intends to repay it through appropriation or by giving grants to the people to pay it back.

The Chair: Thank you, Mr Peters, for coming this morning. We appreciated your presentation. I'm sure it will be useful as we go through the clause-by-clause review of this bill.

1110

ONTARIO PIPE TRADES COUNCIL

The Chair: The next presentation is the Ontario Pipe Trades Council. Good morning. The committee has allocated one half hour for your presentation. You may use all of it in your presentation or reserve some of it for conversation with the members. You may introduce yourself and your colleague and begin your presentation.

Mr Peter Landry: Thank you, Mr Chair. My name is Peter Landry and I'm with Jerry Boyle, who's the business manager of the Ontario Pipe Trades Council. I'll be making the presentation on behalf of the council.

Members of the committee, we're not going to do the clause-by-clause analysis of this bill. Rather, we have a different message today on behalf of the people we represent.

By way of background, the Ontario Pipe Trades Council of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada was established in 1922. The council is the central representative within

the province of Ontario, having jurisdiction over all matters relating to the general interests and welfare of local union affiliates.

The Ontario Pipe Trades Council represents 13,000 workers from across Ontario in the plumbing and pipefitting trades. These are among the highly skilled men and women who have literally built this province into having one of the world's best standards of living.

A significant contributor to this standard of living has been the quality of our public infrastructure, such as roads, schools, hospitals and of course water and sewage systems. We in Ontario have been fortunate in the past to have had a well-developed public infrastructure, which has contributed enormously to the economic performance of our province and to our environmental wellbeing.

The problem for us is that currently, along with other workers in the construction sector, we are facing very high levels of unemployment. Levels as high as 60% are not unusual, with one local reporting a rate of 80%. These rates have been with us for a number of years now. Many of these workers have exhausted their unemployment insurance benefits and are now forced to claim welfare. They, along with their families, are certainly not enjoying the standard of living they rightfully deserve. Construction workers understand as well as anyone the impact of the recession.

This is at a time when much construction needs to be done. However, our investment in public infrastructure has not kept up with the province's needs or with the level of investment by many of the other jurisdictions with which we compete.

Our infrastructure is becoming quite old. The bulk has been around for 30 to 40 years. Much of it does not meet safety and environmental standards. It is inefficient and wasteful and, quite frankly, is quickly deteriorating.

The lack of infrastructure development will clearly affect the economy and the quality of our environment. A specific example concerning members of the Ontario Pipe Trades Council is the condition of the water and waste lines in publicly owned and managed buildings. Many of these systems are as old as the buildings themselves and may pose such hazards as high lead content in the potable water system. Boiler rooms in such buildings may also be out of date, as well as the related steam and hot water heating systems. Updated systems will lower maintenance and operating costs, as well as being more environmentally friendly. If investment is not made into new and better systems, it is no exaggeration to suggest that public health may be threatened.

Although not limited to work in our trade, we note that one of the Ontario government's own publications, *Public Investment for Economic Renewal*, admits that a quarter of the province's watermain and sewage pipes

are over 50 years old and are therefore near the end of their useful operating life. It goes on to say that many of these watermain and sewage pipes are suffering from a high rate of breakdown. About a third of the province's pipes are between 25 and 50 years old, which will lead to increased requirements for rehabilitation in the future. In addition, the publication reminds us that this infrastructure will not meet the rising environmental performance and safety standards of the future.

All of this is happening when the government of Ontario's capacity to invest in infrastructure through tax dollars is diminishing, as demonstrated by the fact that the infrastructure investment in Ontario is lagging behind the growth in the economy as a whole, thereby having the effect of making Ontario a less attractive place for companies to invest.

The impact on the workforce is obviously key for the mandate of the pipe trades council and we must consider the impact of the infrastructure development on the workforce. Unless Ontario moves to get on the leading edge of infrastructure development and retrofitting, workers will not have the opportunities to be trained and gain experience in state-of-the-art equipment and technologies. The need for a highly skilled workforce, which formed the impetus for initiatives such as the Ontario Training and Adjustment Board, will simply not be given the chance to be satisfied.

Without work, people who have invested an enormous amount of energy, time and effort to learn trades will leave the construction industry permanently, many of whom will not find new jobs. Young people considering careers will not look at construction as a viable option for long-term employment.

The solution, I think, lies in the initiative the government has before us.

Members of the committee, our message today is simple: The construction industry has been devastated by the recession, and quite frankly, there's no indication that there will be a quick reversal of the situation. The recession has forced business, labour and governments to rethink how we operate and challenge old assumptions and ways of doing business. Bill 17, in our minds, provides an excellent example of this by providing new opportunities to achieve positive results by forging new partnerships between the public and the private sector.

This is why the Ontario Pipe Trades Council views Bill 17 and its four crown corporations with optimism. We believe that by creating crown corporations like the Ontario Clean Water Agency, the Ontario Realty Corp, the Ontario Transportation Capital Corp and the Ontario Financing Authority new sources of financial investment and ideas to fix the problems we have described can be found. We know that there's much construction work needed in Ontario. Perhaps we won't see the kind of building boom we saw during the 1980s, but there may be another boom possible in the redevelopment of

Ontario's public systems, as we described earlier.

We understand the importance of getting the work done soon from the perspective of the economy and the environment, and frankly, directly in terms of work for the people in the construction industry. We know from our discussions with various industry leaders that even though these crown corporations have not been created, there's already interest in making private investments in public projects, like the retrofitting of public buildings and the facilities to be managed by the clean water agency. They are serious because they believe the returns on investment can be very positive. We have already seen evidence of public buildings saving on water wastage through the installation of new systems with fast pay-back periods for dollars invested. Sometimes full return on investments can be seen in as short a time as three to five years.

Business also know that investing in new infrastructure leads to new business opportunities, and for us that means jobs. In addition, we believe the kinds of initiatives that could result from Bill 17 represent real opportunities to put Ontario at the leading edge of technology and in a position to be able to export our knowledge, equipment and techniques.

The potential benefits of the bill include spinoffs beyond the interests of the workers in the construction sector that we represent. Manufacturers who supply the equipment for the projects, the people who transport the products, the people involved in research and development, the engineers, architects and so on will gain enormously from new investment in public infrastructure.

We have briefly outlined how we view the potential of Bill 17 as benefiting our economy, environment and jobs. We believe the government has a positive vested interest as well. By increasing its partnerships throughout the private sector, the government will be able to undertake the projects more quickly than it has in the past. It will also realize real tax savings and be in a position to share and diminish investment risks with other, more expert partners.

In conclusion, the Ontario construction industry has recently faced some of the toughest times in its history. Our workers are suffering rates of unemployment more usually associated with underdeveloped economies. This situation does not have to continue. We have before us a real chance to put our people back to work in a way that will benefit not only these workers but the quality of life for all Ontarians. We urge members of this committee not to delay passage of Bill 17. The crown corporations that it will empower must get on with the job of renewing Ontario's infrastructure and create employment that we depend upon.

Thank you for your attention. I would be happy to answer any questions.

The Chair: Each caucus has approximately five minutes.

1120

Mrs Irene Mathysen (Middlesex): Thank you, Mr Landry. I was quite interested in your presentation. I just have a couple of little clarifying points.

You've indicated that a great deal of our infrastructure is old and needs to be revitalized and that, in order to maintain the environment, we need a significant amount of new infrastructure. Am I correct in assuming that we're talking about billions and billions of dollars which a government may not necessarily be able to find, any government in any economic times?

Secondly, your reference on page 4 talks about the need to make Ontario attractive for companies to invest. Now, there has been some concern about the notion of user-pay and full-cost pricing for services. Do we have to look at that realistically in terms of all of these billions that we could be talking about?

Lastly, your reference here is to public buildings that have put in new, better systems and have realized paybacks in terms of savings.

Could you put this all into perspective and tell me how it all fits?

Mr Landry: I agree with you that no government could possibly, and particularly now, invest the kind of money strictly through tax dollars to make the systems to the level that we need. That's why, when we were reviewing the bill and the materials attached to it, we became quite enthusiastic, because it's not asking government to bear the load itself; it's seeking other people who may want to invest for paybacks on things like tolls, user-pay and so on, or it's simply because their buildings are less costly to run now and it reduces the cost for government to run a building if it's using less energy and less water and so on.

I'm not sure the user-pay thing is as scary as many people may think. I'll give a non-type trade example: If you look at the Highway 407 concept and tolls, companies may very well be prepared to invest in tolls for trucks, for example, to go across the highway, if it's going to save them 45 minutes going across the top of Toronto. You can pay x for a toll, but you have to balance that with what the current costs are.

Also, with regard to the public building infrastructure renewal that we talked about, there's a whole business out there now of people who will retrofit public buildings and save simply on the water bill. If we're wasting the amount of water that we know we're wasting now and you can reduce those costs, obviously there's some profit in that, and for members of the Ontario Pipe Trades Council that means they can be employed doing that. In the long term it doesn't cost the government anything really. These buildings waste an enormous amount of energy. That costs the government and

doesn't create jobs for anybody.

Mrs Mathysen: In terms of things like something as precious as water, we can't afford to waste it, period, any more.

Mr Landry: Not to mention the environmental issues.

Mr Bernard Grandmaître (Ottawa East): In your presentation, I agree with you, first of all, that something has to be done with our infrastructure and, as the previous speaker pointed out, the billions of dollars that it would cost the province of Ontario. You will know that AMO, the Association of Municipalities of Ontario, and also FCM, the Federation of Canadian Municipalities, have been after provincial governments and federal governments to get involved in a one-third, one-third, one-third program along with municipalities. FCM told us at the time that it would cost Canada about \$15 billion. You're not referring to the federal government in your presentation. Are you saying that these corporations can answer or will answer Ontario's needs by creating these corporations and the federal government doesn't need to get involved in the renewal of our infrastructure?

Mr Landry: I don't think we're saying that at all. I think we're saying that this bill presents a certain hope to deal with Ontario's problems, Ontario's public infrastructure. We recognize that it's as important, and in some areas more important, for the federal government to continue investing in its infrastructure, and if it can't do it through tax dollars, then we would urge it to find a way through sharing the cost with the private sector in order to do it as well.

They've done a little bit of it through Terminal 3, for example, but we're not absolving them of their responsibility, nor the municipalities either. All we're saying is: "Look, there are not enough tax dollars here. We need the work. This work needs to get done. Let's put it together."

Mr Grandmaître: Not "Enough taxes," but "Let's go with user fees," right?

Mr Landry: In some cases.

Mr Grandmaître: Gerry?

Mr Phillips: Thank you. Just quickly, I think the essence of the corporation, and I think it's creative and interesting, is to find funds by taking the rate on water up. I mean, when all is said and done, that's what happens.

I guess my question to the trade group is, does your group have any concerns that this impacts everybody regardless of income, and I think we tend to use water probably not based on income but on other things, that the funding for this will come through increased water rates that are not necessarily progressive? Has your committee ever debated that or discussed that?

Mr Jerry Boyle: We're also looking at the changes

reducing the costs of operation, and over a period of reasonable time those savings will pay for those changes. So we think it is almost a self-funding operation to some degree.

Mr Phillips: So there's no extra money here.

Mr Boyle: We're suggesting that there are means of investing money from private industry back into the structure to finance the changes on a purchase-lease method that will be of no direct cost to this government to effect those changes. We believe there can be enough savings in water in some installations and in the efficiency of updating the heating installations to pay the costs of those changes.

Mr Phillips: A presentation we had yesterday suggested that what we're really looking at is a fairly substantial increase in the rates on water. Is that not your understanding of what's planned?

Mr Boyle: Not in what we are proposing. In some of the suggestions that we will follow up with will be a direct savings on certain installations that will pay for the changes. It's not going to affect the—we're talking building-specific. We would be in a position to have the system reviewed through engineering firms to establish the savings with the proposed changes. So it can be, in those cases, self-funding.

Mr Phillips: Thank you.

Mr Arnott: Thank you for your presentation. I think my understanding of what you've said is that more and/or accelerated public expenditure on infrastructure will create jobs for your membership.

Mr Boyle: Definitely.

Mr Arnott: Okay. You said that the unemployment in the industry was as high as 80%.

Mr Boyle: Correct.

Mr Arnott: I'd just like to go back to 1988 for a minute. What was the unemployment rate for your membership, 1988-89? I assume you were pretty close to full employment, were you?

Mr Boyle: There was work available somewhere in the province at that time.

Mr Arnott: So we've seen an absolutely devastating change over the last five years.

Mr Boyle: Definitely, yes. But in 1988 and other years, there have been places to go. Right now the only fully employed local of the 17 that I represent is Windsor, and including their membership and those who have moved to Windsor to take up the job opportunities, there are fewer than 500 people working in Windsor out of the 13,000.

Mr Arnott: Every unemployed worker represents a significant personal tragedy. Anybody's who's out of work for two years, there's certainly loss of purchasing power for that individual family of a significant amount. I just wonder, what was the average wage for your membership in 1988?

Mr Boyle: I don't have those statistics; I really don't. That would vary from area to area. I would have to research that; I couldn't give you that.

Mr Arnott: But the wage structure has likely gone down too, which again would represent a loss of purchasing power in each individual—

Mr Boyle: The overall income to our membership has definitely gone down. There are areas that have made several changes under the collective agreements and rollbacks on wages etc to help their contractors, their employers, trying to seek work, but that isn't always the answer.

Mr Arnott: Are your members concerned about the debt levels in this province?

Mr Boyle: They're very concerned. Many of them are not in a position that they're contributing against those either. Any project that this government sees through commission, there's an automatic return to the economy with tax dollars federally and provincially, and of course in buying power. We have several members who have, again, had a terrible two years. They've lost their homes; there's nothing there. We're still trying to hold the efficient, top-quality tradespeople, men and women, in the industry, and it's hard to hold them in the industry with no work. They're doing everything they can, from working farms to anything else they can get their hands on.

The Chair: Thank you, gentlemen, for appearing before the committee today. You bring home a message that's very important to all of us as members of the Legislature.

1130

TRANSCANADA PIPELINES LTD

The Chair: The final presentation for this morning is from TransCanada PipeLines Ltd. Good morning. We have allocated one half-hour for your presentation. I notice you've been here for a while, so you've seen how this works. If you would just like to introduce yourself for the purposes of Hansard, we would appreciate that, and you may begin.

Mr David Russell: Thank you, Mr Chairman, members of the committee. My name is David Russell. I'm a vice-president with TransCanada PipeLines, and I'm here basically to support this initiative and to offer what we believe are some constructive changes to the legislation.

What I would like to do is explain the background of TransCanada and its interest in the legislation, and then my colleague Harry Poch, who is our counsel for environmental and, in this case, legislative affairs, will provide you with the details of the changes that we're suggesting.

TransCanada PipeLines has been interested for the past three years in the possibility of installing a water pipeline to service various municipalities and regions in

Ontario. We believe this initiative is one which has positive environmental as well as potentially beneficial employment implications for the province, and we certainly appreciate the prospect of appearing before you today to offer our comments.

As background to the company, TransCanada is one of North America's leading gas transporters and marketers of natural gas. We have assets of something over \$8 billion with \$3 billion being here in Ontario, so we're quite familiar with operating in the province; in fact, in the last three years I believe we've spent \$1.5 billion in the province, which with the multipliers is something over \$4.8 billion worth of impact on the provincial economy.

As well as being in the natural gas transportation business, we're interested in the private power industry. We're a 40% owner of a 500-megawatt power plant in the United States, we own and operate a small 36-megawatt power plant at Nipigon in Ontario, and we're discussing some other power plants with Ontario Hydro.

Anyway, to focus on our interest here, as I said, over the past three years we have been discussing with various ministries in the government, various municipalities and government agencies the concept of transporting treated water from Georgian Bay to those centres which require it in south-central Ontario. A large-diameter pipeline, which we're proposing to finance, construct, own and operate, would run from near Collingwood on Georgian Bay to serve communities in Simcoe county, Dufferin and Wellington counties as well as the regions of Halton, Peel, Waterloo and York. With the exception of part of York region, which relies on Metropolitan Toronto for some of its water, the areas that we're contemplating serving all currently depend on groundwater, which in several cases is unreliable because of quality or quantity issues.

We envisage that the pipeline would be of steel construction, which would probably be of interest to the parties who spoke to you just now, and would be, like our gas pipelines, buried along the entire 115-mile length. We contemplate financing the entire cost of the \$500-million project, which would include an intake structure, treatment plant, pumping stations and the pipeline, and over 95% of the material involved in the project would be sourced in the province. We understand that the total construction impact during the construction program would be about 5,000 person-years of employment after we take account of the impact on all the other aspects we affect during construction, and we'd create 70 long-term, full-time jobs.

We're recommending that the pipeline be fully regulated and that it would be subject to full examination.

Our concerns really relate to the way in which the current bill is structured. It appears to us that although

the thrust seems to be to encourage private industry to work with the Ontario Clean Water Agency and projects of this nature, there are some areas where we believe we would require certainty in order to proceed with coming up with the investment that I mentioned earlier. It really focuses on three general issues.

One is the ability to expropriate land. While the bill provides for expropriation of land by the agency, it does not say that the agency may expropriate the land for private industry. We can see some problems in having a working relationship evolve with OCWA on that basis, and consequently, some of the amendments which Harry will talk to you about in a minute address that particular issue.

We also believe that the issue of municipal approvals could provide an obstacle to the overall approval process for the pipeline. In our discussions with the province and with others, we've envisaged a sort of a one-stop regulatory process which would cover all aspects of the environment and other issues. But the way we read the legislation at the moment, there is the possibility, after the overall approval has been granted by that commission, whichever it may be, that the municipalities could come back and frustrate the approval process by later introducing some new bylaws or appealing old bylaws. We have some amendments which we'd like you to consider which address that issue.

Finally, in our discussions with pretty well all of the municipalities and the regional governments, the issue of rates has been obviously a sensitive issue for everyone. Our view was that much in the way in which TransCanada is used to being regulated, particularly with rates—in our case by the National Energy Board, and in the case of the local distribution companies or gas distribution companies here in Ontario by the Ontario Energy Board—we had envisaged that there would be an impartial tribunal which would review the rate-setting process and provide at least some public discussion of the rates so that every municipality that was affected, as well as ourselves, could appeal any particular rate-setting which may have taken place.

That's our background; those are our concerns. Harry Poch will provide the details of the legislative amendments that we're suggesting. We believe they're minor. We don't believe that they affect in any sense the thrust of the bill in terms of the crown agency, but we do believe they provide flexibility for introducing private partners into the equation.

Mr Harry Poch: The bill itself is certain in many aspects of its thrust. The preamble to the bill is certain that there should be a joint partnership between the government and the private sector in capital infrastructure works. Unfortunately, in several key aspects, from the private sector perspective and investors' perspective, the owner-operator's perspective, that preamble is not

carried through with the certainty that's required to allow a company—we're not just talking about TransCanada but we're talking about the private sector now—to go ahead with major capital infrastructure building and improvement and to get the necessary financing from the lenders.

However, that certainty can be accomplished with very minor tinkering to the bill. We're aware of the accelerated schedule that this committee is facing, and to that end we've attempted to draft specific amendments that are set out in pages 5, 6 and 7 of our brief. I understand everyone has received a copy of that to assist you and legislative counsel to bring forward the necessary clause-by-clause amendments; I take it that it will be tomorrow afternoon.

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If you'd be kind enough to refer to pages 5, 6 and 7 at this time, I will take you through those provisions very briefly and give a rationale for why we believe those amendments are necessary. I must say that on one side, we believe they're necessary; on the other side, any deal can be structured with the Ontario Clean Water Agency, structuring who operates, who owns, who produces water and for whose purposes.

But we don't want to get into that. We want to have clarity in the legislation up front. We must have that so that ultimately the company and the lenders know that we have one regulatory process, a regulatory process with certainty; that at the end of the day, if we do receive all of our environmental approvals and our necessary municipal approvals that would be part of that one package before the tribunal or before the adjudicating body, there won't be a second kick at the cat by a recalcitrant party or because politics change two or three years down the road and somebody decides, "Maybe this isn't as good as we want," or, "Maybe we want to be part of the show," and for one reason or other they're not.

Moving to the amendments, the first amendment would be an amendment to subsection 49(1) of the bill, which is the provision which provides for the agency's objects—now, we're strictly dealing with the Ontario Clean Water Agency here—to clarify what its objects are and that it will be working with and facilitating and assisting in the implementation of private sector projects. We've suggested the new clause (d) that I've set out at the top.

This is important from the perspective of clarity and from the perspective of lending but also from the perspective of if TransCanada, for instance, attempts to acquire properties along the right of way or easements, which would be the preferable way, and we have one major property owner that declines to enter into a consensual acquisition transaction, we want to be able to go to the clean water agency after environmental approvals are granted and say: "We've tried. Could you

please expropriate that one parcel for us, for our project?" This provision, expanding the objects tied into the expropriating provision, would assist that power and enable that to occur.

We don't want to be the producer for the clean water agency of clean water; we want to be the owner and operator of the works. We have to construct the works. We don't want to get into convoluted structuring agreements with the agency to get around provisions of the act. Counsel to the MOEE will be able to tell you that's possible, but we don't want to have to do that; we don't want to get around provisions of the act. We don't want to have to structure situations. We want everything clear up front. This will enable that to occur.

Likewise, the amendment to section 52 set out in paragraph 2 would allow that to occur, the expropriations issue. Currently, under the Expropriations Act, if lands are expropriated or if an interest in land is expropriated and there are surplus lands, in this case the agency would acquire, by way of expropriation, certain easements, and those easements then are to be transferred to TransCanada for the pipeline. If not all of that land that was acquired along the right of way or from that singular parcel is to be conveyed to TransCanada, then you need the expropriated land owner's consent before TransCanada could be granted those lands.

We believe that once the project has received its regulatory approval and gone through the environmental approvals process, expropriation has occurred, and the lands are to be conveyed to TransCanada, we don't want to be in a position where it can be frustrated because the expropriated land owner doesn't agree to give up his first right of refusal.

The amendment under clause 2(d), as suggested, would allow the agency to then convey the expropriated lands to TransCanada without having to go back to the expropriated land owner first and give him that right of first refusal.

Now, when we're talking about expropriation we're talking about, hopefully, never having to invoke that power, or the agency having to invoke that power. TransCanada would go and attempt to acquire the necessary rights of way and easements, but we have to have that fallback position. If we go through a regulatory process, it's going to cost millions of dollars to go through the environmental assessment process. We want to have some certainty up front so that if we do receive approval, the lands can actually be acquired, one way or the other, and the project implemented.

The next point I would like to raise is a point that's set out under paragraph 8 on page 7. It again deals with the land acquisition and conveyance process. As you're aware, the government and government crown agencies are generally exempt from the severance provisions of the Planning Act on conveyances and acquisitions of land. There is a provision in the bill that states that the

agency, by way of contract, need not bind Her Majesty.

By inclusion of that provision in the bill—and we're not saying that's an inappropriate provision—there is the potential that the clean water agency would not be a crown agency within the meaning of the Crown Agency Act and therefore it would not have that exemption under the Planning Act under subdivision control.

For clarity, for certainty, to help the agency, we've suggested the first amendment under my paragraph 8 on page 7, just to add the words "or by the Ontario Clean Water Agency." That may or may not be necessary, depending on the contracts that the agency enters into, but this is just a matter of clarity and assistance for the agency.

The second severance amendment that we're looking at is in the case where we acquire the lands. Likewise, we need subdivision consent approvals under the Planning Act. If we have gone through the regulatory process and obtained the environmental approvals for the project and the right of way, we would like not to have to go through a subsequent severance process.

There's the ability to join the severance matters at a joint board hearing under the Consolidated Hearings Act, but this project may not even be under that act. It might be under the Environmental Assessment Act itself. So we may not have that ability to join that at a hearing. For clarity we've suggested that after all necessary approvals under the environmental statutes are obtained, we don't have to get a severance for that easement acquisition.

Likewise, my amendment under paragraph 6 on page 6 is for clarity and attempts to assist the agency. There's a provision in the bill that states that the agency can enter on to road allowances without the consent of the local municipality. What we're attempting to do by this amendment is to make certain that that's the exact power that the agency has and that the Municipal Franchises Act bylaw isn't necessary for them to do that. It's just a matter of clarity, tidying up the act again. A lot of these matters are to add certainty to a situation that the agency may be facing in the future and that private sector companies such as TransCanada will be facing.

The next amendment I'd refer you to is number 4 on page 6. If you'll excuse my moving back and forth, it's just that I've set out these amendments by way of number to the bill for ease of reference as you go through clause-by-clause, but I'm now dealing with these matters by way of issues.

The next matter would be municipal franchises. Under the current legislative regime, if you are constructing or operating a public utility, and this pipeline would be a public utility, in those municipalities that you're going to service, that ultimately the agency

would service—here we're talking about transporting water—the agency at the end of the pipe then is supplying water to the municipalities by way of individual contract with municipalities.

To construct and operate that pipeline in that consuming municipality, we would need a bylaw from that municipality under the Municipal Franchises Act and then we would need subsequent assent of the municipal electors by way of a municipal plebiscite, except if the Ontario Municipal Board dispensed, after a convoluted and lengthy Ontario Municipal Board predispensation process, with that necessary assent.

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What we would like is an amendment that says that in the case—and this is set out in paragraph 4 on page 6—where we've received our environmental approvals and gone through that public process once, we cannot be held up for ransom, and the agency, for that matter, can't be held up for ransom by the municipality by its not passing a bylaw. Now, there may be goodwill between the municipality and the agency and TransCanada ultimately, but now we want that certainty before we even get into that process. We don't know if there will be that ultimate goodwill. Politics do change, as we're all aware. So we would like dispensation from that requirement for the franchise approval.

By the way, that Municipal Franchises Act provision and the Public Utilities Act provision are very, very old provisions. They were drafted earlier this century. There have been massive changes, as we're all aware, to today's world. What was thought of as a franchise and a public utility at that time and the nature of public utilities is not the same. I don't believe we could even contemplate the interregional types of public utilities that we're talking about here when the Public Utilities Act and Municipal Franchises Act provisions were drafted. We're trying to relieve that problem.

The next issue is zoning and official plans. Again we get our approvals. We don't want a municipality to come along after the fact, even if we've gone through a joint board hearing, and say, "We're going to now attempt to amend our official plan, or we are going to amend our zoning bylaw to prevent this public utility occurring."

One kick at the cat and municipalities, like anyone else, would have the ability to attend and participate in the public hearings process, the environmental process, whatever process is mandated under the statute, not after the fact. Again we're seeking, by way of an amendment to paragraph 5 on page 6, a relieving provision so that if approvals are granted, the environmental approvals are granted after the fact, and at that time the zoning and the official plan would not affect the project.

Finally, paragraph 7, starting at the bottom of page 6 and continuing at the top of page 7, deals with the issue that Mr Russell mentioned, that the municipalities we've

contacted, and we've contacted numerous municipalities, almost entirely would like to have an independent appellate tribunal or body to be able to sit on the rate-setting mechanism and the amount of rates that are imposed.

What we're attempting to do here is set up a process where, instead of just having the methodology of rate imposition promulgated by regulation, as it would be under the bill now with a notice and comment period, as it's now drafted, whenever rates are changed, the municipalities would be able to appeal to the OMB.

We only suggest the OMB because it has expertise in that area. It could be the Ontario Energy Board, another tribunal that has expertise in rate-setting. The interested parties could then have the rates determined by an independent tribunal. We believe that this is necessary from the perspective of the ultimate consumer, which is the municipality.

Those are the suggested clause-by-clause amendments. The wording, obviously, may not satisfy legislative counsel in its entirety. I understand that these amendments would have to be moved and that one of the members would have to approach, I take it, legislative counsel in advance to have the necessary motion drawn. We'd request somebody to give immediate consideration to that.

The Chair: Thank you. We have about a minute and a half per caucus. Mr Phillips? That's about one question.

Mr Phillips: I hate the sort of pause.

Mr Grandmaître: Don't you have a question?

Mr Phillips: You go ahead then.

Mr Grandmaître: Good. You're asking for major, major amendments to a lot of government acts, especially the Expropriations Act. I'm very, very concerned that this power would be given to your agency. Not that I don't trust you, but you're asking for major, major changes on expropriation, but I realize that if you want to go through with this major project, especially as you're referring to I think 115 miles of pipeline, I'm sure there's a lot of expropriation along that route. No?

Mr Russell: If I can just comment, I have no idea what the expropriation requirements along that route would be, but TransCanada, in general, in less than 1% of the land owners do we ever have to resort to expropriation. It's the nature of a linear project that requires, in the end, one person perhaps here and there to be able to be subject to expropriation from the point of view of assembling the land or the easement.

Mr Grandmaître: In other words, you have been able to resolve all of these problems through mutual agreements.

Mr Russell: Yes.

Mr Poch: What we're proposing is comparable to the National Energy Board process itself.

Mr Cousens: In the same vein that Bernard is following on, you may be a little precipitous in proposing these changes when in fact at the appropriate time when there's a decision that whatever company, very probably TransCanada PipeLines, would have the opportunity to develop this trunk and so on, that legislation could be brought forward at that time to accompany the commitment that is being made, so there are ways in which this could be addressed.

I personally don't think there's a way I am able to look at the amendments and the changes you're asking for in the time we've got because there are so many other questions that go to it, though I think the direction we're taking, the approach that's going to have to be taken, will all have to be faced up to. But it's a much bigger issue than I think we're equipped to handle in the time frame we have.

Maybe what you've done, just as feedback, is table some very, very helpful information for the next stage that goes into it. I present that to you as a possibility.

I have a question out of all that and that is, would it only be TransCanada PipeLines that's interested in building this trunk or are there other companies that might well become a consortium or group?

Mr Russell: We have taken the initiative in contacting the municipalities and talking to the government agencies, as I referred to earlier. My understanding of the amendments we're offering is that they would be non-specific in terms of who they might assist. I suspect any private consortium would want similar powers under the act.

Mr Poch: The amendments are not drastic. What we're trying to do is add certainty. We have projects that are probably in the works aside from TransCanada's. We would like to go ahead. Given the legislative agenda and how full it is, and we all are aware how full it is and how full it will remain, it won't be so easy for amendments to come forward. Also, projects won't wait. Projects are here now. They may not be here a year from now, and what we're suggesting is that now is the time to deal with these amendments.

The Chair: Maybe you would like to yield your time to Mr Hope, Ms Mathysen.

Mrs Mathysen: Do you have a good question, Mr Hope?

Mr Hope: Yeah. Laying pipe in the ground is not a problem, but you're talking about transporting water. Are you transporting treated water or untreated water? I'm listening to the amendments you have for the municipality and you talk about a cost-recovery calculation. Right now, most of our water is not full cost. I'm just wondering, I listened to Mr Phillips's comments about the charge to the consumer. Your charges to the consumer are going to be quite high.

Mr Russell: To take your points in order, yes, we'd

be transporting treated water. We treat the water as it leaves the lake and before it enters the pipeline. In terms of cost, yes, it would be a full cost recovery, of necessity, in the kind of business arrangement that we're proposing, which is actually identical to the way in which we run the natural gas pipeline and the way in which Consumers' Gas and Centra Gas and so on run their pipelines at the present time.

In terms of the impact on the municipalities and regions, that is the mechanism and cost approach that we've discussed with them and they remain interested in this as an option for them. So the cost hasn't been an inhibiting factor. In terms of individuals, I guess that we once made an estimate that it's similar to the order of cost of having your cable television on a monthly basis, so that gives you some idea of the—

Mr Poch: If I may just follow up, Mr Chairman, one of the enumerated powers in the bill, clause 49(1)(a), states that without limiting the powers or capacities of the agency, its objects include assisting municipalities to provide water and sewage works and services on a cost-recovery basis. We're not talking about a different philosophy than what has already been put forward by your bill.

Mr Hope: According to your page 13—

The Chair: Thank you, Mr Hope, and thank you very much, gentlemen, for coming before the committee today. We appreciate your presentation and, given the time element, we will attempt to consider the points you made in the clause-by-clause.

As members would know, if you've been looking at your schedule, we do not need to reappear till 2:30 this afternoon. I would ask that members be here promptly at 2:30. I have two motions. One is a subcommittee motion, and I believe Mr Cousens wishes to put forward a motion. I would suggest, rather than do that now, we do that at 3 o'clock. We have a half-hour break in the presentations. We will adjourn till 2:30.

The committee recessed from 1202 to 1433.

JOINT COMMITTEE OF WATER/INDUSTRY ASSOCIATIONS

The Chair: The standing committee will come to order. The committee of course is considering public deputations regarding Bill 17, the capital investment plan. Our first presentation this afternoon will come from the Joint Committee of Water/Industry Associations, George Powell and Sandy Cochran. Good afternoon, gentlemen. The committee has allocated to you one half-hour for your presentation. The committee always appreciates having some of that time so that we can ask you questions and hear your responses. Perhaps you would like to take your seats.

Mr George G. Powell: I would also like to introduce Bob Pickett. Bob Pickett is here as well. He represents one of the associations as well.

The Chair: Thank you very much. You may commence your presentation when you're ready.

Mr Powell: Thank you very much for giving us the opportunity to make a presentation to you today. My name is George Powell and I am spokesperson for the Joint Committee of Water/Industry Associations.

What we comprise is the stakeholders in the water industry. We work in the areas of planning, design, engineering, construction and operation of water and waste water systems. Our committee members include representatives from the American Water Works Association, Ontario section; the Ontario chapter of the American Public Works Association; the Consulting Engineers of Ontario; the Council of Ontario Construction Associations; the International Association of Environmental Testing Laboratories, Canadian chapter; the Municipal Engineers Association; the Ontario Municipal Water Association; the Ontario Sewer and Watermain Contractors Association; the Urban Development Institute; and the Water Environment Association of Ontario.

We represent approximately 15% of Ontario's workforce. In our professional roles, we protect the integrity of Ontario's water and sewage systems by providing efficient and economical design, construction and long-term operation of these systems.

Our committee supports Bill 17 and endorses the Ontario Clean Water Agency for the following reasons:

It is a move towards consolidating the planning and management of clean water. At present the management of clean water is fragmented and therefore unable to cope with the complexities of Ontario's clean water resource.

It provides a realistic and innovative way to provide funding for capital works.

It will provide jobs immediately and add stability to the industry during future economic cycles.

Having said that, however, we have the following concerns about Bill 17 and the Ontario Clean Water Agency:

The Ontario Clean Water Agency lacks authority and autonomy to carry out its role. Bill 17 appears to provide for establishment of another department of the Ministry of Environment and Energy instead of a dynamic organization positioned in every respect to make and implement policy to resolve problems related to a complex and vital provincial asset: clean water.

The Ontario Clean Water Agency does not have a universal mandate to set policy with respect to a central issue, a key issue, that must be resolved before any other objectives can be effectively undertaken; namely, the manner of pricing water sold to consumers by municipalities in Ontario.

The Ontario Clean Water Agency does not have a strong communication link on policy advice between

itself and outside professional sources, such as the members of our committee.

We consider these to be fundamental matters that require recognition and change to enable the Ontario Clean Water Agency to reach its full potential. In support of our concerns, we provide the following argument:

There's a common belief in Ontario that fresh water is available in endless supply. This is not true. Over two thirds of Ontario's water flows away from major populated areas and the residue must be shared by not only Ontario's seven million residents, but also 33 million United States residents who live in the Great Lakes watershed. Unfortunately, Ontarians do not recognize the need to conserve clean water. We are the highest per-capita consumers of clean water in the industrial world. We also have the lowest price. If we continue at our current rate, consumption will double by the year 2011.

But clean water may not always be available in these quantities. In our province, as elsewhere, its transportation is dependent upon an aging and deteriorating infrastructure. The replacement costs of Ontario's sewer and watermain underground piping systems is estimated at \$35 billion. The allowance recommended for annual maintenance is 1% of the replacement cost; that is, the system would last 100 years. It's a fairly conservative estimate. That means 1% of \$35 billion is \$350 million. That is the recommendation that should be made and is not being met. The current level of spending on annual maintenance is less than \$100 million. Further, 80% of Ontario's 415 provincial and municipal sewage treatment plants are running at capacity, and in 1988 more than a quarter of these failed to meet effluent guidelines.

The story is the same for our water distribution systems.

Because the systems are deteriorating, service capacities and pressures are reduced, resulting in inadequate supplies in high-demand periods, such as droughts and fires, and in some cases as much as 40% of the treated water is lost to leakage. It is impossible to maintain, let alone extend, customer service under these conditions. We must reverse these conditions and make Ontario conservation-conscious.

The Ontario government has recently received a proposed water conservation policy from the Ministry of Natural Resources entitled the Ontario Water Efficiency Strategy. This proposal has the support of the advisory committee to the Ministry of Environment and Energy on the municipal-industrial strategy for abatement—that's MISA—and a broad stakeholder group participated in the development of this strategy.

This comprehensive Ministry of Natural Resources proposal to reduce fresh water use includes adoption of

full-cost pricing to the water user, phasing out of grants and exclusive dedication of the revenue to the operation and maintenance of sewer and watermain systems; universal metering; fair and equitable pricing of water and sewage services to all customers; reduction of watermain leaks from a high of 40% to not more than 15%; audit of commercial and industrial water usage; improved management of ground water and surface water; and the development of a public awareness program.

In spite of the recognition of the importance of reducing clean water usage, this policy has not yet been adopted or initiated.

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Increasing pollution threatens the availability of clean water. Internationally, Canada, Ontario and the United States long ago recognized that the quality of fresh water available from the Great Lakes was diminishing because of pollution. As a result, the Great Lakes water quality agreement was signed by Canada and the United States. It called for all municipalities within the Great Lakes basin, including those in Ontario, to treat their waste water with the best available technology economically achievable by the end of 1982 and to provide the financial resources necessary to ensure prompt construction of these needed facilities.

Eleven years later, neither the eight American states involved nor the province of Ontario have achieved this pollution control objective, arranged for its financing or come to an agreement on cost. The condition of the water environment in this province, including the Great Lakes, can stand no further procrastination.

Locally, Ontario must recognize the need and initiate the means to implement MISA so as to set limits of toxics that industry and commerce may discharge to municipal sewers and establish the effluent limits that municipalities must meet in discharging treated waste water from their sewage treatment plants; establish combined sewer overflow control regulations; analyse the impact of rural and urban storm runoff to determine a control strategy; and restore the underground portion of municipal water and sewage infrastructure to avoid actual replacement of this \$35-billion investment.

Virtually none of these programs in respect of any of the issues has been officially implemented by the Ontario government.

Additional stress is placed on aging infrastructure when economic growth continues through industrial, commercial and residential expansion. Conditions must be attached to such growth to bring environmental considerations into the mainstream of economic decision-making. Action is required to initiate official plans that balance the protection of natural resources with economic needs and development. To date, little has been done to implement such a policy.

All of the preceding issues are important in themselves. The central issue, however, is the manner of pricing of clean water. Today, many municipalities sell clean water to consumers at prices that are less than cost for operations and maintenance and capital. It is our opinion that until the price issue is resolved, none of the other foregoing issues related to clean water can be fully resolved, nor can a comprehensive clean water program be initiated.

The Ontario water industry is aware of this problem. The Water and Wastewater Charges for Ontario: The User Pay Principle, done by Mitchell and Fortin, supported by the Ministry of Environment, stated:

"There is a growing perception in Canada and elsewhere that prices charged for municipal water and waste water services are generally too low. The need to revise rate-setting practices is especially pressing considering that many municipalities are facing substantial cost to finance the renewal of aging infrastructure, to meet the challenges of new growth, and to cope responsibly with emerging water pollution control concerns.

"The mood among many members of the industry is aptly captured by Jack Mannion, executive director of the American Water Works Association, who writes:

"The issue is no longer whether rates should be increased. The issues are how high, how soon, and with how much political and public howling."

"Given the deficit and debt problems that senior governments now face, it is unlikely that the anticipated cost burden for infrastructure investment will be met by bail-out grants from this source. Instead, senior governments are promoting the user-pay principle. This is the message from the Inquiry on Federal Water Policy" by Pearse and company. Again, it was supported by the government of Ontario.

The simple solution to this problem is for Ontario to implement a policy requiring municipalities to sell clean water at its true and total cost on a municipality-specific basis.

Again, the Mitchell-Fortin report defines the policy required, and there are certain recommendations it makes:

Municipalities must raise the price of water to reflect its true cost.

Municipalities must charge for water according to volume consumed.

Revenues received must be reserved and spent only for operating and maintaining the water and sewage system.

Senior government must commit or arrange for special funding for catch-up where municipalities are unable to do so.

This simple solution, however, is a very difficult one to implement.

We interpret Bill 17 to mean that the Ontario Clean Water Agency will use innovative means to provide funds for capital projects and will operate on a cost-recovery basis. Until municipalities implement full-cost pricing for operations and maintenance and capital, they will continue to operate sewer and watermain systems at a deficit. Unless this changes, it seems unlikely that municipalities will be able to repay loans, pay for other services from the Ontario Clean Water Agency or indeed use its services at all.

In 1991, chairmen of the Ontario regional municipalities published a position paper on the topic of an Ontario crown corporation for water and sewage services entitled *Implications for Regional Municipalities*. In it, they placed the capital cost for environmentally friendly water and sewage systems at \$16 billion over 10 years to cover implementation of a safe drinking water program, universal metering, MISA municipal priorities, sewer and watermain leakage control and rehabilitation of existing systems. They pointed out that this list of initiatives translates into an additional expenditure of \$1 billion per year above what is already being spent and does not account for growth-related spending. The municipal chairmen also addressed the issue of how this capital cost would be paid for. We quote from that position paper:

"Provincial officers estimate that full-cost pricing of sewer and water services in a user-pay system will result in a nominal 8% annual increase in per-household water and sewage expenditure over 30 years. Today's annual expenditures of \$250 per household could grow to almost \$800 by the year 2005."

It's interesting to note that some jurisdictions in the USA and many in Europe are charging \$800 per household for sewer and watermain services.

For the record, the regional chairmen's position paper supported the notion of a separate arm's-length agency associated with the Ministry of Municipal Affairs that would make operational management and administrative decisions to ensure drinking water improvement, reduced waste-water pollution and water and sewage plant rehabilitation. Subsequently, the Association of Municipalities of Ontario endorsed the regional paper.

There is ample documentation of what is required to keep Ontario's water clean, how much the remedy will cost, and how it should be paid for. What has been lacking is a means to implement this solution.

In our opinion, implementation has been seriously hampered by a fragmented management approach to a complex matter. In the past, three major management and policy aspects of the clean water question, ie, water quality, water conservation and water administration, have been split between three ministries: the Ministry of Environment and Energy, the Ministry of Natural Resources and the Ministry of Municipal Affairs, respectively.

Management of pricing of water is even more fragmented, having been left in the hands of each municipality to resolve on its own, in response to its particular political and social needs. We do not believe that Ontarians can be assured of an adequate supply of clean water until responsibility for the management of all aspects of water is consolidated within a single management unit.

We believe that the Ontario Clean Water Agency as a single management unit has the potential to provide the necessary leadership and management skills to coordinate the relationship between pricing, water quality, supply, conservation, pollution management and economic growth and to produce policies that include consideration of all facets of clean water. At the local level, the implementation of Ontario Clean Water Agency policies should be under the direction of a municipal body whose sole responsibility is to plan and manage water and sewage operations.

We make the following recommendations to enable the Ontario Clean Water Agency to achieve its full potential and thereby assure Ontario residents of a reliable and adequate source of clean water:

(1) Vest the Ontario Clean Water Agency with full authority and autonomy to plan and manage all facets of clean water, reporting directly to cabinet or through a minister in a manner which avoids conflict of interest between policy legislation, policy regulation and policy enforcement.

(2) Assign the Ontario Clean Water Agency the immediate responsibility of introducing a policy of water conservation, a uniform accounting system and full-cost pricing as defined herein. In this respect, we have attached draft wording for a proposed amendment to Bill 17, which I would read:

"Proposed wording for an amendment to Bill 17, part IV, Ontario Clean Water Agency, Section 49, Objects, page 18:

"Add paragraph (d).

"(d) Introduction of a policy of full-cost pricing to be applied by all municipalities to be defined as follows:

"—Pricing for water to reflect its true cost.

"—Charging for water according to volume consumed.

"—Reserving received revenues and spending them solely to operate and maintain water and sewerage systems.

"—Ensuring commitment by senior governments to provide special funding for catch-up where municipalities are unable to do so.

"Adopting a uniform accounting system."

The third recommendation we made is:

(3) Appoint the Joint Committee of Water/Industry Associations as an advisory body to the officers and

directors of the Ontario Clean Water Agency on technical and financial matters.

We'd be quite willing to participate in that area.

In closing, we wish to emphasize that we support the Ontario Clean Water Agency, with the provisos previously mentioned. Key to the success of this agency is establishing and monitoring a financially self-sufficient operation. Full-cost pricing is the way to achieve this needed goal and we believe that Ontarians are willing to pay the price for the use and protection of a vital natural resource, clean water.

1450

Mr Arnott: Thank you for your presentation and thank you for providing us with all the background information. I think you've sent it to all our offices in advance of this committee, so we certainly appreciate all the information you provide from your perspective.

It seems to me that this bill presupposes that full-cost pricing for water will be required over time. You're saying that you want further clarification or further assurance that that's going to be forthcoming.

Mr Powell: The actual bill itself refers to what is known as cost recovery. Cost recovery is not full-cost pricing, and that's the difference. I think it's important to realize that what we mean by full-cost pricing is no different than when you pay your gas bill. If you pay your gas bill or you pay your television or your Bell Telephone bills, those things are on a user-pay basis. Others are not, even the electricity. Because of the grants and so forth that you get, you would argue that they're not fully user-pay. They should be but they're not, and that's a fundamental flaw in this legislation.

Mr Arnott: On average, the increase in the cost of water would be what?

Mr Powell: They're talking 8% a year as what's required. You'd ratchet—"ratchet" is the word I use—the price of water up until you got it to that basis, but the program would be established that all municipalities must ultimately reach that goal by such-and-such a date. There's nothing new about that policy. Those policies are in in certain areas of the States and they're also in in Europe. We, as Canadians, simply because we have abundance or appear to have abundance of clean, fresh water, don't seem to realize how important it is to respect that and ensure that it's always the case. So it's the heritage issue. It's a very vital, key natural resource that we've got to protect.

Mr Arnott: You'd start with individual metering on industrial customers, I suppose.

Mr Powell: Yes. The metering of the industrial customers is only part of the issue. You have to also make sure that the industrial customer is paying the appropriate cost and there's no hidden price structure that he's not paying for.

Mr Arnott: Would there be a way around individual

metering on every household customer, if you're still hoping for full-cost pricing?

Mr Powell: You can debate that issue, but I honestly think, in order to make people believe it's fair, you'd put it in. You'd put universal metering in regardless. Even though there are people who could argue one way or the other, you'd put the metering in. Then we can argue that when you water your lawn and I water my lawn, we're all paying the same for the same thing.

The Chair: Thank you. Mr Hope, Mr Sutherland and Mr White.

Mr Hope: It was interesting to read, as one who lives down from Chemical Valley, your comments. You talk about the Great Lakes and pollution control. I would love to see the day of zero discharges here, but we all know the repercussions that will be there because there will be extreme job loss.

It was interesting when you were talking about the true cost of water. Currently, when you do an expansion, it goes on the municipal books and it's not on the facility's, especially when you're dealing with regional water distribution. So the municipalities all carry a part of that on their municipal debts, not on their treatment, because it's a regional water supply system. You're saying, to get into true costs, you're never able to get into true costs for the simple fact the debt is allocated from a provincial facility to a municipality, and then it's charged on a per-rate fee to pay for the—per 1,000.

Mr Powell: No, under true user-pay, you would actually have to assume that debt and pay for that debt, and the user would probably end up carrying that debt. Now, generally, if the municipality has the debt, many of the water utilities are paying for that debt over the period that the debt has occurred. The provincial government has a based-on-cash accounting where your funds come out of the capital account of the consolidated revenue fund, and the day the thing is expensed is the day it disappears. So you don't take any value for the assets you have.

If you put the thing on a true accounting basis, it would make it far more logical and the way that the private sector is forced to work. If you did that, you would see that I would have to pay the price for every drop of water I have. It is not covered in the grant that the province has paid for. Some of our municipalities have 85% funding of their water systems. Ultimately, you've got to get away from that. There should be no free ride on water. There are other areas where, through your own circumstances, we have to have a situation where we look after others, but under water there's no reason for it.

Mr Hope: The one question I have is dealing with the municipality, under the auspices of the municipality. I'm wondering if there couldn't be the heavy-handed approach of larger municipalities over top of smaller municipalities in the control of water and urban growth.

Mr Powell: Those are good points. I think you see some of the regional systems—certainly the one that Bob Pickett's responsible for, Metro Toronto, is one that's well operated. They are approaching the part where everything is paid for, but you have to go to the large municipality or the regional government. The smaller municipalities just can't do it. My prime example is some of the northern communities. They just physically can't afford the cost of clean water. They have to be assisted. So there has to be some way of bringing those people up to scope and we realize that and we recognize that. That is a separate issue. The thing you want is that the bill itself that I'm paying, even though I'm assisted somehow through a subsidy, reflects the true cost of that.

The Chair: Thank you. Mr White.

Mr Drummond White (Durham Centre): I thought Mr Sutherland had a comment.

Mr Sutherland: No, I passed for Ms Mathysen to ask a question.

Mr White: I'm interested in this cost-recovery issue. My understanding is that clean water is one of the prime areas by which we have benefited in this century in terms of health. When we're talking about cost recovery, clean water is as essential to the health of our communities, to the growth of our communities, as are hospitals, health care, schooling, and we're talking on a cost-recovery basis, I'm wondering how that would affect those communities.

Mr Powell: There are many areas of the world where these systems have been put in and they work. One prime example is in the United Kingdom, where they took 10 large watersheds and they actually privatized them. But they are on a full-cost-recovery basis and they have the same problem with respect to, "But you must provide clean water and it must be pure and bacteria-free." That I understand.

The cost-recovery area is that if you continue to do that, you're going to have an infrastructure that you're eventually going to have to replace that's worth billions of dollars and you're not putting money aside for that. It's similar to having your house and deciding: "Well, I'm not painting it. I'm going to wait till the wood rots." When we wait till the wood rots, it's a lot more expensive to paint the house. It's that simple.

Mr White: When you talk about cost recovery, are you talking about a cost for the water or a cost for the infrastructure?

Mr Powell: No, the cost for the water, there are people who have put that forward, but again, I have to be careful with the words "cost recovery." Please let's use a different word. Cost recovery to you might mean, "I make all my costs and any of the grants that come in, who cares about them, or any of the municipal financing that comes in, who cares about that?" I can't operate a

system unless I know the overall cost of it. I have to know that, because some day those things may not be there. I think it's very important to bring the thing into full view so the public understands where their dollars are going. In terms of water, I submit that the people are willing to pay for it. They certainly are in other parts of the world.

Mrs Mathysen: Thank you for this presentation. It's been very helpful and informative. I was a little concerned earlier, when you were talking about phasing out of grants, that you hadn't considered smaller and rural municipalities. But you've addressed that and I appreciate your perspective there.

One thing I wanted to ask, you talked about the autonomy of the clean water agency and the need for it to be able to set policy. There have been some concerns expressed here about that agency being responsible to the Legislature and responsible to the people and the need to make sure that it reports. Any fears in terms of it perhaps falling too far outside of that legislative control or purview?

Mr Powell: That's a governance issue and I respect its problem. I think that we're technical people and we don't truly get into it. As a citizen, I would suggest that the governance of the thing—you have to have controls on it and you have to set them up as you have controls on business and a number of things that restrict the way that we do things. We're very concerned the way the governance is now. It's in three areas. You literally have people who are legislating, regulating and enforcing all in one group. To me, that's a conflict of interest and the Ministry of Environment and Energy knew that. Yet the thing goes ahead like it is, and to me that's wrong and to our organization it was wrong. So we brought that forward. This is what we're trying to do: make the legislation better. We're the ones who work on the darn thing and we want to make it better.

1500

Mr Grandmaître: I agree with you that it should be consolidated within a single management unit, because at the present time more than three or four ministries are involved, especially in controlling our clean water supply.

I know you don't like the words "cost recovery." Then let's use "full-cost recovery." How would our business sector or our major businesses be affected by full-cost recovery? You will recall when Hydro was proposing a major increase in its rates that Ford, Chrysler and GM were all opposed to it because they were saying it would add \$300 to \$400 per car. What are your thoughts on our major industries?

Mr Powell: There's going to be some initial howling from people who are impacted until they realize how to solve the problem: pollution prevention. One of the things is to use less water and find more creative ways of doing it; there are more and more industries working

that way now. You don't want to put things back in your waste water. Literally, that's product loss. So if you lose things that theoretically you can recover, you're better off to do that.

The mindset is moving that way. I'm not saying it's there now, but it certainly is moving that way. We see even the pulp and paper industry, which has been one of the industries that's been a very high water user, now going to almost closed systems. This is what you were referring to, sir, the zero pollution. It isn't zero. It'll never be zero—zero is not zero—but it will be reduced, and we'll go a long way if we do that.

If the MISA program went ahead, the municipal-industrial strategy for abatement, if those programs are worked out properly and industry is given a time to respond, I think you can do it. In fact, there are many places in the world where they are doing it.

But you have to recall that we use more water than any other industrial country in the world. Our rates are far lower than they are in Germany. We're lower than Norway. Norway used to always be the first, but now it's second and we're first; we have the lowest costs on water.

We see it. It's obvious to us. We have tons of it. We go out on the Great Lakes and we see it there, but that is not there for ever. We have done damage to the Great Lakes and you're all aware of that, so we have to work towards solving that problem. We can do it, and industry has to be brought into the equation. It is expensive, no question about it, but if you look at the motor companies, the Fords, the Chryslers, the systems they're putting in now are far less a problem environmentally than they were 20 years ago. The paint systems they have and a number of things are far better. They're using far less water. All the industries are doing that.

Mr Phillips: What you're proposing here is frankly fairly substantively different from what's in the bill in that the bill was designed, in my opinion, to find sources of funding to fund capital as opposed to fundamentally changing the way we deal with water in the province.

This is rather an omnibus bill. It sets up four new agencies. It's huge. But you're talking about a very imaginative, new way of looking at providing water.

The challenge I think is going to be that we'll be dealing with clause-by-clause on Thursday and the thing is essentially a done deal, but I gather from your comments that if the choice is to go ahead with Bill 17 or not, you would say go ahead with Bill 17 as it is.

Mr Powell: Yes. We've tried to give you a recommendation with respect to a wording which tries to get in that mindset that we have to come forward with the full-cost pricing.

Mr Phillips: May I ask a technical question?

The Chair: You certainly may.

Mr Phillips: The \$800 number that you have in here; you use the word "nominal." You're saying that somehow or other your judgement is that we have to find a way to get the average household expenditure on water up to, in today's dollars, \$800?

Mr Powell: I think that's what it is, yes, in that ballpark. You have to appreciate that when you read that number, that is what we call a system where we'd have environmentally very sound systems. We'd have MISA in, we'd have all the meters in, we'd have combined sewer overflow control, we would have looked at storm pollution and agricultural runoff. We'd have a number of those things in, and that's the ultimate goal. Then when we've done that—we'll never stop, but when we finally reach that, I think we've really accomplished something.

There are places in Europe, for example—when a drop of rain falls on your roof you pay for that. I think it's \$1 per square metre, and they're putting that money into the treatment of that storm water.

Mr Phillips: They must pray for sunny weather.

The Chair: Mr Daigeler, briefly.

Mr Hans Daigeler (Nepean): I know that in the Ottawa area, the region certainly and in my city of Nepean we have adopted the user-pay at least to a fair degree for quite some time. Even the city of Ottawa finally, before the last election, decided to move towards that; in fact, it's financing a fair amount of its sewer reconstruction through that water charge.

Have you taken into account that major municipalities such as Ottawa have already moved considerably towards where you want to go? That's my question. If other municipalities haven't moved in that way, where does that leave us?

Mr Powell: I appreciate it. Ottawa has combined sewer systems. Ottawa has not really begun—they've studied it, probably more so than any municipality around, to try to find better ways of treating that particular problem. The water systems are essentially being brought up so that the operating costs and a number of the capital improvements are certainly being covered.

But I would suggest to you that that is not the bottom line, that is not what we mean by full-cost recovery. That asset you have in the ground is not going to last for ever, so there has to be a reserve fund established and a reserve fund that we—when I say "we," our industry—can draw on to fix things that are cracked, to fix the things that are broken, and to replace those things when their life is over, when their life cycle is through, not to allow the damn things to break so we'd have to shut down traffic, so we have to go through a whole slew of things and it's twice as expensive to do it.

If we had a really solid program for renewal of that infrastructure and had funds set aside for it, we could go at that problem, we could solve that. It's an ongoing thing. It's no different from how you and I do our financing at home: We paint our houses every five years, or whatever it is. That's the mindset we have to get into. Those are the things we have to do.

There are many municipalities in Ontario that have gone a lot further than a lot of others in terms of some of the little communities in Guelph and areas that are on sensitive water streams. They've had secondary treatment in since the year 1929. North Toronto sewage plant has been in since that time. Those people have been doing it. We have communities that are still on primary treatment.

So the inequity in the thing—you can argue that some people have not had to do it; they've waited until people have come and helped them. We've got to get over that. I may be hard-nosed, but I believe it should be a hard-nosed business decision. Get the water on it, no different from my cable TV, no different from my gas bill. That's the way you have it, and I'll pay that bill. I know where it is, I know what I'm getting for it and if I don't like it I can go and argue with the water company or whatever it is, and I do that. That's how I'd do it.

The Chair: Thank you. The time, unfortunately, is at an end. We appreciate your presentation. The committee will be considering this bill in clause-by-clause, as you know, later in the week. Thank you very much.

Mr Powell: Thank you very much, sir.

1510

The Chair: If I might just take one moment to pause from the public hearings and discuss the subcommittee report. I believe all members have the subcommittee report in front of them. Would someone care to move the subcommittee report? Mr Daigeler, I think, was first. Is there any discussion on the subcommittee report?

Mr Mammoliti: I don't seem to have a copy, Mr Chair.

The Chair: We'll find you one.

Mr Arnott: Just for clarification on point 2, that if groups from outlying areas within the province request to make presentations the committee should pay for travel costs in accordance with the Legislative Assembly guidelines, I gather that means mileage if it's within reasonable driving distance for one day, air fare if it's not within reasonable driving distance, and one meal?

The Chair: I'll ask the clerk to clarify.

Clerk of the Committee (Mr Franco Carrozza): That's correct.

Mr Arnott: And that's the end of it?

Interjection: Hotel if necessary.

Mr Arnott: Hotel is included?

Clerk of the Committee: Only if they stay overnight. It depends on how far. If they are from Thunder Bay, perhaps—

Mr Arnott: If they can't get reasonable connections.

Clerk of the Committee: That's correct.

The Chair: It's fairly standard practice.

Mr Hope: As it's fairly standard practice and as we're not travelling outside of Queen's Park, and I understand why, I'm wondering if all consideration is given for those individuals who live in rural Ontario, the opportunity to make presentations before this committee. I notice that the committee presentations over this bill are mostly from larger centres and very few from rural Ontario. I'm just wondering if, through the process, as we're not travelling outside Queen's Park, those outlying rural communities have an opportunity to be before this committee.

The Chair: I don't have the advertisement before me, but we advertised through the entire province and indicated regional centres where the committee was willing to meet. We did not get from any one centre, Kingston, for example, London, Windsor, a sufficient number of requests to appear before the committee to make it reasonable and cost-effective for the committee to actually travel. I think we could say in all fairness that the people in rural Ontario should have had the ability to know that the committee was willing to hear them and was willing to come to a centre close by.

Mr Hope: I understand that, and I'm not arguing with not going to the rural communities. All I'm saying is that because the hearings are here, that opportunity be given to those rural communities to make presentations here in Toronto. You're absolutely right. I'm just saying that when you're going through your normal standard of who is making presentations, some opportunity must be given to rural communities to be here.

The Chair: I think any group from any rural community that was going to come would have its expenses paid. That's what the resolution says. It was advertised through all of the province, so they would have had the opportunity to indicate that.

Mr Hope: I'm not arguing that point with you.

Mr Mammoliti: I just wanted to reiterate the point that it was advertised and that the original subcommittee report did come to the committee and we approved it with the proposed advertisements.

Mr Grandmaître: And also AMO. I think it represents 75% of all the municipalities.

Mr Hope: AMO represents those individuals who are—

The Chair: One at a time.

Mr Mammoliti: We apparently got some responses from Kingston and Ottawa.

Mr Grandmaitre: And London.

Failure of sound system.

The Chair: We're back on the air waves. Shall Mr Arnott's motion carry? Carried.

The clerk would be much happier if we could record the carrying of the subcommittee report.

Shall the subcommittee report carry? Carried.

1520

COUNCIL OF ONTARIO
CONSTRUCTION ASSOCIATIONS

The Chair: All right, I see that the next presenter is here, so we would be happy to call the Council of Ontario Construction Associations.

Good afternoon, gentlemen. The committee has allocated one half-hour for your presentation. We always appreciate the opportunity to ask a few questions about your presentation, so we would hope you would reserve a few moments for that. You may begin by introducing yourselves for the purposes of our Hansard.

Mr Frank Bisson: I'm Frank Bisson. I'm chairman of the Council of Ontario Construction Associations' economic development and taxation committee.

Mr David Frame: I'm David Frame, executive vice-president of the council.

Mr Frank Bisson: I can make my presentation now?

The Chair: Yes.

Mr Frank Bisson: My name is Frank Bisson. I'm chairman of the Council of Ontario Construction Associations' taxation and economic development committee. I hope you'll bear with me here. This speech is long enough that I couldn't commit it to memory. I would much prefer giving it the proper way, but in any case, on behalf of the council, otherwise known as COCA, and the members of my committee, I would like to thank you for having agreed to meet with us this afternoon to hear the things which we have to say on Bill 17. Some of you are already familiar with COCA. However, for the benefit of those who are not, I would like to begin by telling you a bit about ourselves.

The Council of Ontario Construction Associations speaks for the construction industry in Ontario. We are a provincial council representing employers in industrial, commercial, institutional, engineering and residential construction for Ontario's construction trade associations, associations such as the Electrical Contractors' Association of Toronto and the Ontario Formwork Association etc. We're also representative of Ontario's local mixed trade associations, and here I refer to the likes of the Hamilton Construction Association and the Ottawa Construction Association. Membership also includes such prime contractor-builder associations as the Ontario General Contractors Association, so we're quite wide in our scope. In total, the Council of Ontario Construction Associations represents 49 different

construction associations and the second-largest industry in Ontario. In 1989, Ontario's construction industry employed approximately 420,000 people and was almost four times the size of Ontario's auto industry.

I am here today to tell you that things have changed dramatically for Ontario's construction industry since 1989. Construction is more seriously affected than at any time since the Depression of the Dirty Thirties. Despite the fact that we've lost over 70,000 jobs since 1991, our own government is telling us that things are expected to get even worse.

The government of Ontario's non-residential construction activity forecasts, as included in its 1992 and 1993 budgets, say that construction activity in Ontario will decline by over 20% in 1993 and 1994, when everybody else is so-called coming out of the recession. This follows a drop of over 40% during the 1990-through-92 period and means that by 1995, Ontario's construction industry will be 60% smaller than it was in 1989. That's right; the Minister of Finance for Ontario is predicting that by 1995, Ontario's construction industry will employ 60% fewer men and women than it did in 1989. That's one heck of a body blow for Ontario's second-largest industry to have to take.

We've all heard many horrendous numbers since the onslaught of this recession, but before I get into the specifics of Bill 17, I want to give you one more number to remember. This is a number which, for me, very dramatically underlines the gravity of our situation and underscores the importance of what I will be saying.

In the spring of this year, the General Motors Scarborough van plant was closed, putting 2,500 people out of work. The newspapers and TV were full of stories and pictures, and so they should have been. The closing of this large plant was putting hundreds of Ontario workers on the street at a time in their lives when it was difficult for them to retrain, and the closing of this plant was turning the lives of hundreds of others inside out at a time when they expected to build for the future.

The number that I want to leave with you this afternoon is this one: The number of jobs lost in the Ontario non-residential construction industry in the last two and a half years, and that's not a very long time, is equal to the number of jobs which would be lost if we shut down 28 General Motors Scarborough van plants; 28 of them. It boggles the mind. Ontario doesn't even have 28 large automotive plants, but if we did, the impact of shutting them all down would be equivalent to what our industry has experienced during the last two and a half years. As I said earlier, Mr Laughren tells us that things are going to get worse before they get better. It is therefore with all the seriousness that we can muster that we come here today to ask that you pass Bill 17, and to ask that you pass it quickly.

With that background, let me say that it did not take a Philadelphia lawyer to see, back in 1991, that the recession was going to be with us for a while and that the government, faced with ever-increasing welfare and escalating deficits, was not going to be able to meet its ambitious \$4.3-billion capital budget target. The Council of Ontario Construction Associations therefore began to write to ministers and to meet with treasury officials as well as officials within Health, Education, Government Services, Colleges and Universities, Environment and Management Board to ask that they consider using private sector money to finance capital projects which they knew were needed but for which they had no money.

There were times when we did not know whether we would be shown a chair or the door. However, as the number of contractors declaring bankruptcy climbed month after month, we persisted and were rewarded with a promise in the Treasurer's April 30, 1992, budget that he would look at private sector financing for government capital projects. We wrote more letters and attended more meetings, and while we're not attempting to take all the credit for this bill, it does include many of the things that we asked for. I would like to begin by highlighting some of these things.

Interjection.

Mr Frank Bisson: Sorry, am I too far away? I like to get comfortable. This is long.

Okay, number one, and I've numbered them in my copy here so that you know the breakoff points:

(1) Ontario parents for many years have been asking that portable classrooms be replaced because they contain no washroom facilities and are cold in the winter and very hot in the summer. They've also been asking for new schools so that their children do not have to spend hours on school buses. They've been saying that they do not want their school taxes increased.

This desire obviously puts school boards in a tight bind: "Give us new buildings, but don't ask us to pay more." We said: "Fine. Let the private sector build the school or lend you the money, and then amortize the costs over the generations that will use it. You get better facilities and we get jobs." We're therefore pleased to see that the Ontario Financing Authority will have the authority to raise money on behalf of Ontario school boards.

(2) We said the same things about hospitals. We said, "Let the private sector fund that new extension or this new heating plant," and as we read the act, this will now be possible. Given that our population is continuing to age, we were surprised that within the Homes for the Aged and Rest Homes Act, long-term care facilities are not covered by this act. We realize, however, that there is provision for the cabinet to bring these facilities

within the financing authority's jurisdiction at a later date.

(3) We've also had many discussions with the ministry and with Ontario's colleges and universities. They need new residences, classrooms, wheelchair accesses and new laboratories. They have been caught between a rock and a hard place in that the ministry was cutting or freezing their grants. Also, alumni donations were flat and students could not find summer jobs to pay for higher tuition. They welcomed our ideas, though they could not go further. Now they can, and we're glad of this.

(4) Ontario's municipalities have always had the right to issue debentures, subject to the approval of the Ontario Municipal Board, though many smaller municipalities were hesitant to go this route even though valid requirements existed. We see that as a result of this act, smaller municipalities will now have easier access to capital markets.

The Ontario Municipal Act also placed severe restrictions upon a municipality's ability to enter into, for example, a lease-purchase arrangement with the private sector for a new fire hall or a new library. While not part of the purview of the Ontario Financing Authority or this act, we are pleased to see that the government is moving to amend the Municipal Act in a way which will permit municipalities, large and small, to use private sector financing mechanisms.

(5) I would now like to turn very briefly to the Ontario Clean Water Agency. COCA is a member of the Joint Committee of Water/Industry Associations, which met with you at 2:30 today. As the joint committee speaks for us on this subject, I will simply go on record as saying that we strongly support the recommendations which it makes.

Ontario needs to consolidate the planning and the management of its urban clean water systems, and the Ontario Clean Water Agency needs the teeth to do this. This is an initiative which has the potential to create thousands of new construction jobs at a time when they are desperately needed and also to enhance the quality of our lives. We ask that you listen to them carefully.

(6) The Ontario Realty Corp has the potential to make government accommodation and land use much more cost-effective. Many Ontario public servants are located in buildings which are inappropriate to their needs simply because the government owns the building. Many government buildings are also located on prime real estate and could achieve a much higher return for the taxpayer by being sold or given other uses.

Up until the present, the government has had very few options at its disposal. As of April 1, 1994, this act will permit the Ontario Realty Corp to do more than just hold or sell land. It will be able to buy, hold, joint-

partner or sell both land and buildings. This approach is similar to that followed by the British Columbia Buildings Corp for the past 10 years and is something which we have wanted for a long time. We've been working hard at seeing this happens.

1530

In particular, we believe that the joint-partner option will permit the government to create more jobs through the construction of facilities such as new courthouses and has the potential to trigger additional construction by, for example, using a government building to anchor the revitalization of a downtown core.

We remain concerned that, despite the fact that the realty corporation will have its own board of directors, much of the final decision-making will remain with Management Board officials and their minister. This has the potential to stifle the flexibility and the imagination which will be crucial to a private sector buy-in and could turn this corporation into little more than another level of bureaucracy. I'd like to say that perhaps this is something I can explain further in a question period, so that you have ideas why we've got these thoughts.

(7) The Ontario Transportation Capital Corp has the potential, by advancing the construction dates of such projects as the expansion of Highway 407, to generate thousands of jobs, the impact of which will be felt across the Ontario economy. We support the government's Let's Move program and its call, for example, for a \$7.1-billion expansion of Metro Toronto's rapid transit system. Our key concern with the transportation corporation, like that for realty, is that it be given sound business direction and the freedom to do its job.

With these comments in mind, let's go on to say that Ontario's private sector has the talent and the ability to use the transportation corporation and the other corporate vehicles in this bill to jump-start Ontario's construction industry. It can use these vehicles to create jobs which will take construction workers off unemployment insurance and welfare and place them in the ranks of those who are paying taxes, which we all want. That's what you want and that's what we want. To do this, these corporations need to be up and running.

We are at the peak of Ontario's construction season. The 1993 budget says that these corporations are going to account for \$800 million of the year's \$3.9-billion capital budget. We know that this is to be achieved by first flowing the \$800 million as grants and by then, once this legislation is passed, converting these grants to loans which will be carried on the books of the Ontario Financing Authority.

Some have called this a "smoke and mirrors" exercise, and well it may be. At this point, we don't really care. What we care about is that talent, time and money be brought together in the most effective way possible and that the major product from this exercise be jobs—Ontario construction jobs.

Mr Chairman and members of this committee, we appreciate your having seen us today, but we want to tell you that we want once again to tell the government that there remains a need for government and industry to work more closely together on these initiatives if they are to achieve their full potential. We are ready to do this and we are waiting for the government's response. COCA represents a vast array of experience, initiative and ability. We can work with government at every step. All we need is to be asked.

We look forward to your questions. Thank you.

Mr Mammoliti: Welcome to the committee today, sirs. I'd just like to touch on the second-last paragraph of your submission for a second. It says: "Some have called this a 'smoke and mirrors' exercise, and well it may be. At this point we don't really care." I'm going to disagree in terms of what some people have said about smoke and mirrors, because I don't believe it is. But even if it were, do you believe that the average construction worker and average person out in Ontario feels the same way that you do at this point and really wants to get back to work?

Mr Frank Bisson: I don't think so. I think they all want to get back to work. I don't think they believe that. I think the "smoke and mirrors" comments may have come from some rather technical people who were looking at the way the books—

Mr Mammoliti: No, I'm not asking whether they agree with the "smoke and mirrors" suggestion. I'm asking whether they agree with you in terms of your saying that you really don't care, that people should get back to work and that's the priority. That's what I'm getting out of this, that right now the priority is getting people back to work. Do you believe that the majority out there feel the same way you do?

Mr Frank Bisson: I believe that, for sure. No question about it. There are people just dying out there and they are desperate to get work.

The problem that we run into too is that Ontario is going to need a huge infrastructure program over, let's say, the next 10 years, and with 60% of the industry being unemployed at this point, those skilled workers—we have lots of numbers on this—are going to go to other jobs. Now, it's not very easy right now, but those skilled trades are quite skilled and can adapt themselves to working in other industries. So when the time comes, there are not going to be the skilled people who are required to do the infrastructure development that needs to be done.

Mr Mammoliti: Again, I want to make this clear; I want it on the record. In your opinion, most Ontarians at this point want to get back to work and don't really necessarily care at this point about smoke and mirrors.

Mr Frank Bisson: That's right.

Mr Mammoliti: Okay.

Mr Frank Bisson: That's my opinion.

Mr Grandmaître: Honestly, George, you're on a broken record.

Mr Mammoliti: It's incredible.

Interjections.

Mr Frank Bisson: I'm only talking the construction industry, that's right.

The Chair: Thank you, Mr Mammoliti. Mr Phillips?

Mr Phillips: I appreciate the presentation, and I think I saw the building permits numbers this morning off the daily that show you're in even worse shape than you probably thought yesterday.

Mr Frank Bisson: I could give you another number that's perhaps even more relevant, because the start of a job is related to the labourers and carpenters who do the structure itself, so that's the start of a job, and the hours for those people are down now 75% of what they were in 1989. So there's 25% of those hours left at this point in time. It's an absolute disaster.

Mr Phillips: It is, and as I say, the numbers for Ontario today were disastrous. I'm sure Mr Surplis has seen the numbers, but for the month of—I guess the building permit numbers came out this morning. So I appreciate the desperate straits the construction industry is in.

Just in terms of the funding issue, because what we're talking about here is how we fund it, in the past we've funded it heavily from a capital budget.

Mr Frank Bisson: Yes.

Mr Phillips: I think your proposal here is that we fund it through new sources, we look to at least buyback arrangements, we look to borrowing the money from the private sector.

The challenge for all of us I think is just that we often hear from the private sector about the need to manage the debt, and to me, for example, on the school construction the province plans to add I think about \$600 million of new debt each year off its books. It's going to be somewhere else but off its books. I think some of the proposals here are to have the private sector build something and then the province pay the private sector over a period of time through lease costs. Those are creative solutions to finding funding, but in the final analysis they still end up being debt to be paid off; they're just being paid off in a different way.

Mr Frank Bisson: That's right, yes.

Mr Phillips: So I think the concern of some who look down the road at the debt is that they say, "Regardless of how we are planning to pay this off, it's still debt."

Has your group looked at how much new debt you would think we should be adding in these creative ways in the next five years or so to meet the needs?

Mr Frank Bisson: That one I can't answer. I think,

though, that whether you call it debt or not, it is over a much longer period in a much smaller amount on an annualized basis, and we think that in terms of affordability, infrastructure has to be addressed. I think we're all aware of that. I've heard numbers like \$3 trillion worth of infrastructure is going to be needed in North America—\$3 trillion worth of infrastructure—because it hasn't been attended to for so long. It has to be addressed somehow.

We don't at all agree with increasing the current deficit by the government using the taxpayers' money immediately. We think there is a real advantage to whatever is required being carried by those generations that are going to use it, which is what we're proposing. If it's over a 40-year lease period, the generation that uses it will pay for it.

We've already got the problem over here with the debt. Let's leave it there.

1540

Mr Phillips: The government's providing us with the numbers on the school and hospital capital proposal which plans to spend \$600 million a year on it through what's called loan-based. The problem is that in five years, there's \$3 billion owing. In 10 years, there's I think \$5.5 billion and in 20 years, I think there's \$12 billion owing. We never see that decreasing. We just see it growing and growing and growing for some future generation to try and pay off. That's why there are some questions around loan-based financing. Have you looked at those numbers and do you share any of those concerns?

Mr Frame: I haven't seen those particular numbers. I think to be fair, though, you've got to recognize there's a difference between capital debt and other types of debt too. When you buy a house, not many people pay cash on the barrel head for their house. They tend to finance it so the way you pay for that house reflects the use you're getting over a long period of time. When the government builds a new school, why should the government pay for that new school in one year when it's going to get the use of that school over 30 or 40 years? That's what we're asking for, that the cost to the government reflect the use of that facility.

Mr Phillips: That is the debate, that every year we spend about \$4 billion on capital in the province. What this proposal calls for is allocating one twentieth of that as a cost each year. The problem is that we then will show for about five years very little money being spent when we probably should be allocating, I would think, \$4 billion a year as an expenditure. If this were the private sector you'd be depreciating your assets at \$4 billion and showing that. It's just a different way, and I think there's a debate that could be lodged on both sides of that issue.

Mr Frank Bisson: Just off the top here, I think you could also be very creative about the way you do this

too. You might use these mechanisms in a downtime like this and then go back to the normal ways in a better economy and be able to go back and forth, perhaps move the cycles. You jump-start the economy with construction too. It's subject to the multiplier. There are lots of positive advantages to it.

I think too those people who look at deficits, whether they be on Wall Street or wherever, are going to look much more kindly on the kind of proposal we're suggesting currently than on financing infrastructure with more current government debt. I think there are a number of arguments there that are very useful.

The Chair: Mr Daigeler has a quick question.

Mr Daigeler: My party has been calling for more emphasis on job creation for many months. We're obviously interested, as you are, in job creation but, frankly, I really feel that if you're placing all your hopes in these capital corporations, I think you're going to be sorely disappointed. That's what I'm really worried about.

You seem to feel this really is going to help you out, and I haven't heard anything during these hearings where the government said that there's going to be more money in construction, with the possible exception of the 407, because there may be private sector interests there because the tolls are going to bring in some money. At every step, really, we're talking about the moneys that have already been allocated simply being financed in another way, so if you are hoping that there's going to be more schools built and more universities through this measure, I think you're going to be very sorely disappointed. I give you, as a concrete example that this government isn't really willing to go to the kind of private sector arrangement that you are planning, an example in my own area. My school board, the Carleton public school board, had two years ago gone to the minister with an arrangement to have the private sector build a school and then lease it back to the government. The government turned it down because it did not want, on a philosophical basis, to have the private sector profit from that.

Those opportunities for private sector involvement have been there, frankly, for quite some time and we don't necessarily need these corporations to do what you're proposing.

I think you should continue to press for an additional capital program. If these bills will help in that way, fine, and I think we're all in favour, but I certainly don't share your optimism that these corporations are going to be the answer to your problem.

Mr Sutherland: You're too cynical, Hans.

Mr Daigeler: I base it on experience.

The Chair: Was there a question there?

Mr Frank Bisson: I think, without going into very much detail, in defence of the government, a lot of the

mindset comes through from the bureaucracy against using the type of proposals we're talking about, and that's changing. I think we have been making some points with the government that it has accepted. Who knows where that might be six months from now?

Mr Arnott: I'm delighted that you were able to be here today to give us your views. Your brief is excellent. It's blunt, it's direct and I think it has captured everyone's attention with the facts that you presented. We recognize that construction is a cyclical industry and we do run through good years and we run through bad. We have to be able to weather the bad to continue on and be prepared for the good in the future, hopefully.

I suppose I share Mr Daigeler's concern that while we recognize this bill may in and of itself be a positive step, we're three years into the government's mandate and construction companies and the construction industry have been hurt by taxes, excessive regulations, new labour laws and so on. The point that we're at today, everything is not going to be solved by this bill. That's my observation. I don't think I have any questions for you. I think your brief spoke very well.

The Chair: Mr Hope?

Mr Hope: I'll let Kimble go ahead. After the political statements across, I'll forget about it.

Mr Sutherland: Maybe if I could just comment a bit, too, I think there's some implication here that somehow all we're doing is changing how we're financing some of the capital projects. That's a large component of it, but you also have to look at what some of the side benefits are going to be, and we've certainly heard that regarding Highway 407 and getting that through quicker.

First of all, in terms of how normal capital is done, each year's allocation has to be approved; it has to go through the budget process. There's no long-term planning; there's no guarantee that each year you're going to get some type of allocation for continuing on with the 407. With the type of arrangement you're looking at through the capital corporation, people know there's going to be so much money there each year to build and construct part of the 407.

In terms of private sector people who may be looking at development, communities looking at development along or near the 407, those folks can start planning, and start planning with some certainty in terms of a multi-year approach in terms of what is going to occur. Those are the types of economic benefits that are going to come about, let alone increasing the number of construction jobs much quicker by completing the project far quicker. That's just one example.

I think if you look at some of the other capital corporations, and by doing this new financial arrangement, that will also allow more moneys to be freed up and also some more stability in terms of multi-year

capital being spent, which is not as—you don't have the same degree of flexibility with the current system.

Mr Frank Bisson: Make I make a comment?

The Chair: That's why you're here.

Mr Frank Bisson: I don't want to run out of time. We want to see the \$800 million that the capital corporations are supposed to spend this year be spent. But, in addition, we've been talking, to the extent that we can, with various people about the possibility of bringing on line—whether it be courthouses or whatever—buildings that would not otherwise be built using private sector techniques.

1550

Just by way of background, the seven relocations—there are no longer seven—came out and before they came out there was a lot of consultation with the private sector about how to do it, and the Terminal 3 model was recommended. When they did come out, MGS got involved and completely changed it such that it was no longer what we in the industry call design-build, which allows for private sector creativity, and I'll explain why you want private sector creativity in a second.

They became essentially fixed-price jobs that didn't allow for the type of good pricing that you might otherwise get. We have been talking to various people, and I won't say who they are, but that mentality has been changed, I think, in the government. What we've found, and this is just very brief, if you look at the analysis that the Business Roundtable in the United States did, over 15 years—the Business Roundtable is a group of owners—not developers; owners—like Du Pont and GM and so on, the biggest owners in the world. They had a 15-year cost study done by the University of Texas at Austin. What they found, in terms of potential savings in building a building, if you put a graph with potential savings up here and time over here—a building is planning, design, construction and then commissioning out here, where the building's available—the curve goes like this. It's very simple. All the money is saved up front in the design and planning phase.

So if an owner designs a building and he puts it in stone and doesn't allow for the creative options that can be created by, say, the development industry and the contracting industry, by looking at that in that early 10%, 15% stage, almost all the potential savings are gone. We have been able to, I think, convince government that buildings should be coming out and using this type of process where you're getting a cheaper job, a better job, and you're going to have buildings that wouldn't have been built in the first place.

Mr Sutherland: I believe it's still being done in St Catharines, a design-build model.

Mr Frank Bisson: Yes, that one came out wrong at the start.

The Chair: Thank you, gentlemen, for appearing before us today. The committee will be taking this bill through clause-by-clause later in the week. Thank you for appearing.

ONTARIO URBAN TRANSIT ASSOCIATION

The Chair: The next presentation will come from the Ontario Urban Transit Association.

Mr Al Cormier: Mr Chairman, members of the committee, my name is Al Cormier. I'm the executive director and Dave Roberts is the assistant executive director of the association.

The Chair: Just for your information, the committee has allocated one half-hour for your presentation.

Mr Cormier: I'd like to briefly walk you through the remarks, which I believe you have a copy of already.

The Chair: Yes, we do. Thank you.

Mr Cormier: Our association represents the urban transit systems in the province. The members are primarily the municipalities and the agencies thereof, such as Toronto Transit Commission and GO Transit, that operate transit systems. We represent 58 transit systems and collectively they operate about 95% of the mileage and the ridership of transits in Ontario.

OUTA is affiliated with the Canadian Urban Transit Association and there the memberships are expanded to include the manufacturers and suppliers of products and services used in urban transit. Of course, our mission is to assist the members, but also to represent their interests, particularly with regard to the affairs of your government. We're governed by a board of directors elected by the members.

We have several comments to make with respect to the bill. First of all, we broadly support the general intent of the bill and would urge its passage through the Legislature. Naturally, our comments are particularly oriented to part III, which relates to the Ontario Transportation Capital Corp. We welcome the legislation's plan to allow the development industry along the rapid transit lines to contribute to the cost of these services. We've known for a long time that land along these corridors appreciates significantly in value with transit services and it's fitting that they should be given the opportunity to benefit and contribute to these services.

Ontario has gained an excellent reputation internationally for the efficient management of its transportation system. In particular, we're pleased that the funding program under the Public Transportation and Highway Improvement Act is recognized in many, many jurisdictions as one which provides a high level of incentive to municipalities and leaves accountability where it belongs: at the local level. As a result, transit services in Ontario have a better-than-average financial performance.

For years we've realized that the costs of planning,

designing, constructing and maintaining highways are certainly not being sustained and fully recovered by the fuel taxes and other related revenues that come from transportation. Some studies done at the federal and other levels, and at the academic level, have shown that the deficit in the road operation can be as high as 40%. We're pleased that the government, by proposing this legislation, certainly allows, then, the users to contribute more and to control some of that deficit, particularly to welcome capital under the corporation's plan.

Fundamentally, as a transit association we naturally oppose the construction of more highways or freeways, as we certainly know from experience that they attract more vehicular traffic and then consequently generate more noxious emissions in the atmosphere. While we recognize the significant achievements of vehicle manufacturers in recent years to reduce the emissions per vehicle, this is generally more than offset by the increasing number of vehicles travelling longer distances.

Therefore, we feel that any legislation which would promote more highway construction could be seen as being in contradiction with the accepted objectives of controlling harmful emissions, curbing urban sprawl and improving the quality of life. Any actions which would encourage additional travel by single-occupant automobiles, especially in the GTA, surely cannot be condoned in the longer-term environmental concern facing Ontario and the world community.

Ideally, we would prefer to see the corporation focus its attention on the construction of public transportation facilities, leaving the present and extensive highway network for more essential trips, such as the movement of goods and services.

Some specific comments with the legislation: OUTA has, certainly, the following comments to make.

Although part III of the bill requires environmental assessment, as is normally done for a highway, we would encourage the committee to add a clause or amend the clause to require the corporation to ensure that the projects under consideration do not contribute to the general deterioration of the environment and are not contrary to the environmental goals of the province and Canada. In our view, that would require a broader assessment of what is normally done for highway environmental assessment of the impacts of the projects in question.

The corporation's ability, of course, to raise tolls would create an incentive to maximize the number of vehicles for revenue purposes using the roads in question, and that certainly is not what we would like to see. Traditionally, highway planners have focused their attention on the movement of vehicles and not on the movement of goods and persons. That's really how you should measure the facility.

I think the corporation should be required to actively discourage, through pricing and other policies—and this may be done through the use of regulations or policies after the legislation—the use of policies that would limit the use of toll roads to single-occupant vehicles and use such mechanisms to promote transit, car pools and other high-occupancy vehicles on these roads.

Section 3 we note makes the Minister of Transportation responsible for the administration of the act and for the transportation capital corporation. Then subsection 8(2) gives the chief executive officer the same powers as a deputy and the chair the same powers as a minister. While we recognize that these powers are necessary for the efficient operation of the corporation, we're concerned that the corporation should operate within the overall transportation goals of the government and objectives, certainly, of the minister and his government. In our view, perhaps it should not undertake projects which the Minister of Transportation considers contrary to the goals of the government. This equality of powers may or may not make this feasible.

Section 38 contains a few definitions. We think it should include a definition of public transportation that should be broad enough to include public transportation facilities that are operated on regular highways or streets as well as those operated on separate rights of way, be they rail or other modes of transportation.

Finally, section 40 of the act deals with the powers of the corporation. It is not clear that these powers can extend to transportation facilities normally under the control of municipal governments. In the case of public transportation, allowing the corporation to enter into agreements with municipal governments we feel is a requirement.

These are the only observations we have to make about the bill. It's not very lengthy. We're generally pleased that it's going ahead and we just have these cautions to express.

Mr Daigeler: I presume you're familiar with the fact that this transportation capital corporation, in particular, will be quite a small outfit, actually—we were told something like 15 people possibly. Really their sole purpose is to look for the financing. So in terms of the broader concerns, long-term impact on public transit and so on, environmental aspects and everything else, I don't think the 15 people can look after all these concerns as well. Are you aware of this?

1600

Mr Cormier: I was aware that it would be a small secretariat, so to speak, but it will have behind it the resources, I guess, of the ministries, especially MTO presumably.

Mr Daigeler: That's correct. So really I guess you're reiterating your concerns to the Ministry of Transportation.

Mr Cormier: But the degree of independence that it would appear to have under the legislation could be interpreted to mean that it could initiate projects; I think in reality probably it would not. But we just want to raise that concern that we don't think it should just go off and invent a freeway on its own.

Mr Daigeler: I don't think they will, not in the foreseeable future.

Mr Cormier: I would hope not.

Mr Daigeler: It doesn't look that way.

Mr Phillips: I understand how the transportation corporation can access funds for toll roads. That's fairly clear to me. How do you see them accessing funds for rapid transit? What sorts of models would you see in the future?

Mr Cormier: I am not experienced in that field other than having read how it is done in some other areas. It typically has been, as I understand, contribution by the development industry along these corridors, either the owners of the facilities or even the tenants in some cases. There are cases in Europe where the employers along heavily serviced transit corridors pay a payroll tax to support these transit services.

Mr Daigeler: A commercial concentration tax.

Mr Cormier: Not quite.

Mr Phillips: What is the expectation from your group around how you will benefit in terms of accelerated projects? Is the expectation that the private sector may fund some sectors of rapid transit in return for dedication of fare box revenues in the future? I'm just trying to get an idea of the things that you must have talked of.

Mr Cormier: Obviously, I think the private sector, to be enticed to make a contribution, will have to have a return on its investment. I have not thought through the details of how to get that return; I suppose that's what the corporation will have to do with it. But somehow there has to be a public sector control on the services operated in terms of the fares charged so that the municipality or municipalities and the province can use that facility as an instrument of policy for whatever purposes it has in mind. We can't leave it entirely in the hands of the private sector.

Mr Arnott: The question of the actual price of the toll will be a significant public issue once the toll road is built. You've expressed a suggestion that in single-occupancy cars the occupant should be asked to pay a higher toll. Do you have any other suggestions about the toll pricing?

Mr Cormier: Well, I suppose you could exempt public transit vehicles from paying tolls, and I see the legislation would allow for that, but commensurate I guess with the ability of the agency to exact a toll from private vehicles. That would still achieve the objective of the freeway. You can't obviously put a toll that's so

high that nobody uses it. Presumably, your first example being that the 407 is really a bypass to the bypass, and I would imagine that the truckers would be most interested in using it first.

Mr Dave Roberts: There are some parallels with the high-occupancy vehicle policies that the province has been looking at as well, where again that can be used to provide incentive for higher capacities, car pools and the like.

Mrs Mathysen: Thank you for this presentation. I've got bits and pieces. I hope I can put it together for you in terms of a question. I understand your concern about the environment in regard to single vehicles as opposed to mass transit. Obviously if we improve public transit, mass transit, we're going to get better ridership and less dependence on the single vehicle. Have you any suggestions, ideas to offer us as a committee in regard to how we can utilize the transportation corporation in order to move that particular agenda forward?

Mr Cormier: In terms of attracting more transit ridership, I think we know that the rapid kinds of transit services, whether they be on separate rights of way or dedicated lanes on existing arterials, certainly are more attractive for the users. So anything the corporation can do to advance the construction of those projects through the acquisition of private funds will certainly then attract more people to use them. We contemplate that the kinds of facilities that would be funded would not be simple bus routes but would be something more substantial in terms of rail facilities. Those have a good track record of attracting more riders.

However, that doesn't happen by itself. There have to be supportive policies that the province and the municipalities in question will have to work together to ensure that the land use along these corridors is compatible with the objectives of the transportation facility proposed. It would make no sense to build a freeway and allow single-residence or only farming land use along it or, for that matter, a rapid transit line with single residential housing along it. It has to have the ability to feed itself in terms of riders. So the land use issue is very critical. It's an area where the province has a lot of control and a lot of jurisdiction, and the province has shown a fair degree of leadership recently through guidelines. Of course, the Sewell royal commission has certainly excellent proposals there as well.

Mrs Mathysen: That would fit logically into this notion about the minister being responsible and maintaining a vigilant and policy-oriented role in the corporation.

Mr Cormier: Yes.

Mrs Mathysen: I wonder if you heard the presentation from the previous presenters. They suggested that the government was too intrusive and that intrusion would stifle the creativity of a transportation commis-

sion and the other corporations. I wonder if you could comment on that.

Mr Cormier: I've never seen dollars without strings, and the greater the amount, the greater the liberty of intrusion, I suppose. I would see nothing wrong with ensuring that the investments will have some decent paybacks by having the supportive policies that are required to go along with it.

Mr Roberts: Some of those things might be as simple as ensuring that things like the 407 corridor do allow for transit facilities. It's been pretty clear so far that transit's poorest performance traditionally has been in things like suburb-to-suburb trips, where everything has been focused in the downtown. All of a sudden a new facility is coming into place that will provide for some excellent opportunities to really try to get into that market that just has never been properly addressed in the past.

Mr Sutherland: I just wanted to clarify for the record, to deal with some of the concerns. You raised concerns about whether the corporation would have to operate within the overall transportation goals and objectives of the Minister of Transportation.

I think it's important to understand that given the fact that it will be a schedule 4 agency, the minister has the ability to issue directives to the corporation, the corporation following those directives, and that there is a very strong linkage set out in it being a schedule 4 agency and just the overall establishment of the corporation. I don't think that needs to be an overall concern. It's not explicit. It may also be set out, for example, in terms of a memorandum of understanding between the ministry and the actual corporation what the arrangements are going to be. So I think those concerns can be dealt with in those mechanisms.

Just on your last point, the corporation does have the ability to enter into agreements with municipalities, because, as any corporation, it's considered "a natural person" and has the ability to enter into a contract.

Mr Cormier: So there was reference about entering into agreements with other governments and internationally. I just wanted to make sure that was explicit in our interests.

Mr Sutherland: Sure. Okay.

The Chair: As the Chair, I just have a question of fact. This morning we had a presentation from the Better Roads Coalition which indicated that, if I believe the numbers were correct, the province received over \$1 billion more in revenue from road taxes of various kinds as opposed as to how much it spent on roads, and I see in your presentation a figure that says 40%. I just wondered if you could help me rationalize what I'm hearing from you and what I was hearing from the Better Roads Coalition this morning.

Mr Cormier: I've seen a number of studies in that

area and I guess it depends who does it and what numbers they include. The last one I looked at was a federal study that took a broader look on this at the national level. There was a recent US study of that nature as well that also confirmed that there was a significant shortage between the expenses, including direct and indirect expenses, related to roads and the revenues generated by roads. That debate has been going on for decades. I don't imagine we'll ever resolve it.

The Chair: I was just hoping you could solve it for me. Thank you.

Mr Mammoliti: Who's right?

Mr Cormier: I think we are. We haven't done these kinds of studies ourselves, but I'm referring to that there have been some environmental groups who have done these studies, Transport Canada has done some, and the latest one I've seen was a US research institution, a national research institution with a high degree of credibility in the States. Mind you, they haven't got the gas tax levels we have here, but the same sort of parallels I think could be drawn.

The Chair: Are there any comparative studies for Ontario itself that you are aware of?

Mr Cormier: There was one done by Pollution Probe about a year, a year and a half ago.

The Chair: Thank you.

Mr Cormier: I'm not sure if it has been published yet, but I recall seeing a draft.

The Chair: I understand we are to get a written presentation from Pollution Probe, so maybe they will clarify that in their report to the committee.

Thank you very much for taking the time to come down and meet with us this afternoon. We appreciate your presentation. It has brought us some points of view I don't think we've heard before, so we appreciate that.

Mr Cormier: Thank you.

The Chair: The next delegation is not presently assembled, although we have some members. I think we'll take a 15-minute recess.

The committee recessed from 1613 to 1630.

The Chair: The standing committee will come to order.

BOARD OF TRADE OF METROPOLITAN TORONTO

The Chair: We have one final presentation for the day, being the Ontario board of trade, Don McIver, chair.

Mr Sutherland: It's actually the Metro board.

The Chair: Oh, is it the Metro board of trade? We have a board of trade.

Mr Don McIver: As long as you're not bored with the board of trade.

The Chair: Yes, it is the board of trade.

Mr McIver: I will not take responsibility for being the chair of the board of trade. I'm chairman of the economic policy committee of the board of trade.

The Chair: Thank you. If you would introduce yourself for the purposes of our Hansard, you may begin your presentation. You've been allocated one half-hour.

Mr McIver: Fine. My name is Don McIver. I am chairman of the economic policy committee of the Metro Toronto board of trade. With me is Mr Ian Smith, who is vice-chairman of the transportation and planning committee of the board of trade. I intend to make a few introductory observations and then I'll pass over the comment on specifics of the bill to Ian.

In general, I think the board of trade is quite supportive of the intention of the legislation, which is purported to provide a greater opportunity for the involvement of the private sector in public sector dealings, whether that be in construction or whether it be in the numerous capital projects that the province is engaged in.

My specific concern is with an aspect of that. We are told, of course, that this legislation is necessary in order to make it possible for the government to engage more freely with the private sector in cooperative ventures. I say that's fine, of course, if that be so. But there is one aspect which I think is extremely important, that we need to be certain the changes that are introduced do not themselves introduce a source of confusion into the methodology of public accounting.

Since this results in a change in the reporting methodology, which will superficially result in a reduction in the reported headline deficit and debt of the province, I think it's essential that the reader of the Ontario budget, the document itself, be clearly cautioned that the data that he uses, that he interprets, that he reads in the budget document be consistent data. I think it's imperative that the Minister of Finance be bound to provide some consolidation of these accounts, some consolidation of primary and secondary levels of government debt, in a simple table which should be provided early on in the budget, in the document, in a manner in which the media—especially the media—and the general public can be provided with a very clear set of uniform and consistent data so as to contrast and compare one budget to another.

Even the last budget, the 1993 budget, contains some quite confusing elements with respect to the newly visited capital fund in which there was some \$804 million which didn't quite seem to appear, on the surface, to be self-evident, whereas we have the government planning to spend \$3.1 billion on capital projects, so it appears in the first few pages of the document. If you work your way back through the appendices and annexes at the back of the document, you find out that indeed \$804 million of that is intended to be borrowed by the Ontario Financing Authority and used for capital

projects. That debt, of course, is just as much a burden of the province and that capital spending is just as much public spending as it would have been last year under the old accounting framework.

So I'm very concerned that the accounting methodology for these various funds and particularly, of course, for the Ontario Financing Authority, be clearly spelled out and that the public—and I say "the public," but I think really the media—should be thoroughly apprised of the shift and the consequences of the shift in accounting.

I don't think it's acceptable to make the argument that Ontario Hydro is already treated in a similar off-budget manner. First of all, the treatment of Ontario Hydro has some history to it. We've grown accustomed to it, those of us who look at the accounts. Perhaps it should be on budget, but the fact that it isn't, at least we have a consistent set in the back of our minds. We know what a \$10-billion deficit is, ex Ontario Hydro. The other element, of course, with Ontario Hydro is that Hydro does produce a commercial service upon which one can reasonably expect there will be a revenue inflow. I don't think the analogy is quite the same with respect to a school or a hospital.

One other comment, if I can, is that within the introductory material that was provided to us earlier in the year there was the comment made that this was a necessary or desirable change so as to enable the province to engage in loan financing—and this was purported somehow to be desirable—but the idea being that the funds would be made available for a capital project and that there would be an operating transfer each year equivalent to the annual amortized cost of principle and interest.

In that document it referred to the useful life of a capital project. Elsewhere we've seen that implied to be 20 years. But I don't believe that in the bill itself there is anything spelled out as to what constitutes the useful life of a project.

If you take something, for example, like a hospital, it's not unreasonable to believe that someone might suggest that two or three years from now that 50 years is perhaps a reasonable life for a hospital. Then, of course, the operating transfers could be one fiftieth of that amount. In the meantime, the Ontario Financing Authority will have its debt building up, sort of hidden away perhaps if it's not brought front and centre in front of us. Then maybe 20 years from now that hospital will be in need of a massive retrofit, and that too will be viewed as a capital expansion and another new budget, and perhaps that will extend its life another 50 years. You can see perhaps what I'm getting at.

I think it would be extremely desirable to have spelled out in the legislation what is meant by "the useful life." If indeed 20 years is viewed in most cases, why not all to be limited to 20 years at any rate?

Those are my opening comments. Let me turn to Ian, who has some specifics on some of the other aspects.

Mr Ian Smith: I'm going to speak on one particular element of the bill, the transportation capital corporation, which the board has been on record as fully supporting. I'd like to make my comments to cover two areas, one dealing with how the transportation capital corporation will affect highway construction within Ontario, and the other part of that is how it will affect public transit construction.

With regard to the highway construction, the board has some history on this, starting in February 1992. The board of trade forwarded a paper on transportation financing to the Minister of Transportation and the Minister of Finance. In this paper we advocated the establishment of toll roads, beginning with Highway 407. There's a lot of reason as to why we wanted toll roads, a major reason being that we thought it would expedite the construction of something that's really needed to help alleviate congestion that we have in the Metropolitan Toronto area.

We had a number of principles established in that paper that we thought would be requirements to support toll roads, things such as that a parallel non-toll road must exist to maintain choice for drivers who do not wish to pay, criteria of that nature.

As we understand from the Premier's February announcement on Highway 407, it met all these conditions. We strongly support that desire of the province to involve the private sector in the financing and construction of Highway 407 based on the build, operate and transfer model, or the BOT model, what you're seeing in the US and throughout the world. It's our understanding that these discussions and possible lease arrangements will be facilitated by this transportation capital corporation. Again, we're fully in support of that element.

The second part I'd like to talk about is the public transit construction. Again, the board of trade has been on record extensively saying it supports public transit expansion within Metropolitan Toronto. The one concern that we have, though, given the current financial realities of both the province and the Metropolitan and municipal levels, is that we simply can't afford to go ahead with all the different proposed projects.

What we've always advocated is prioritizing the expansion program to maybe a number of—not all six but one or two, based on whatever criteria are established. In our case, we've been favouring criteria such as the impact on potential ridership. So we're looking at we should be prioritizing these projects before we proceed.

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Right now the proposed first phase of the rapid transit expansion program, which is estimated at \$2.5 billion in

1992 dollars, envisions the private sector contributing 20% of the total cost, or \$500 million. The major private sector contributors logically, with the experience we've had, would be the private development companies. However, with office vacancy rates in the Toronto area at 20%, we seriously question the ability or the desire of developers to construct additional office space or pay any new levies which may be implemented.

This reservation leads us to a larger concern: If the private sector is unable to provide the 20% of the total expected contribution, who will? It has been suggested by some, and you'll see in our documentation that we handed out, that perhaps the Ontario Transportation Capital Corp could borrow any shortfall of the private sector cost. This causes us concern, as Don has mentioned, with regard to Ontario Hydro because we may see the beginning of another, what we believe, Ontario Hydro fiasco, which provincially guaranteed debt allowed to accumulate without any real controls or safeguards.

To conclude my brief comments, the board of trade supports the creation of the Transportation Capital Corp but would caution that it not overextend itself in guaranteeing accumulated debt in pursuit of expensive projects which we cannot afford.

The Chair: Thank you. Mr Arnott.

Mr Arnott: I think you've raised a couple of very good points. One is the issue of reporting of the amount of debt that these corporations are going to be responsible for, and you mentioned the media and the importance of the media understanding it and in turn disseminating that information to the public at large. I totally agree with you. The suggestion has been raised that one of the political motivations behind this bill might have been the opportunity for the government to move some of its debt off book so as to make its deficit number and ultimate debt figure look better.

There's a legislative requirement in the bill that means that the corporations have to report to the Legislature at some point but it doesn't say specifically what the timing is. I think it would be sensible to include a requirement upon the government, a provision, that they have to report the debt figures of these corporations within the provincial budget for ease of reference for the media on budget day. Then I think the story on budget day would be the new taxes that have been brought in, the taxes that may have been repealed, the bottom-line debt figure that the people of Ontario are on the hook for.

Mr McIver: If I can comment on that, I think in fact that probably is envisioned and would likely occur. The question is where it occurs, whether it occurs in the third subappendix or whether it occurs on page 1 and in the press release that is handed out coincident with the minister rising.

The reference is made somewhere, either in the preamble or in some of the previous material, to the fact that British Columbia is one of the provinces that is currently applying a similar type of technique. I don't wish to go overboard in my praise for their accounting methodology but nevertheless, looking through their most recent budget, the debt and deficit implications of those agencies are quite clearly spelled out in the body of the budget material in a number of places.

Contrasting that with the Ontario document for 1993, where, as I say, that \$804 million is slipped in there, there are a number of instances in the first 50 or 60 pages—I don't know how many pages there are in the document but in the first part of the document—where there are little asterisks and a little footnote commenting upon it but not amplifying it. It's not until you get to the back, after you've waded through it, which even those who attend the lockup may not find themselves able to get to on the day of the budget, that you find the explanation of it and the detail of it.

Unless you're sort of primed to look for it, and I would argue that in many cases the media aren't and certainly the general public isn't primed to look for it, there is a significant disadvantage in shifting from one methodology to another unless the linkage is very clearly spelled out for the reader.

Mr Sutherland: Let me just say that in terms of some of the concerns about how the information will be expressed, the capital investment plan would be expressed in the budget, and obviously with the estimates, the amount of money that would be going to each organization for its capital project, the principal and the interest, the amortized amount, that would be clear in the estimates.

Let me say I've been informed that we may need to give the media a little more credit, that in this year's budget lockup, they did ask questions about the \$804 million. So we're on top of it, and it is extremely difficult in this day and age to hide things, even if you wanted to do that.

Some of the concerns you raised—you weren't here this morning when the auditor made a presentation as well and expressed some similar issues and some comments about how things should be reported—were mentioned as well.

Mr McIver: Can I just comment on that? I believe the legislation spells out—Mr Arnott made the comment about the capital reporting requirements—that the end of their fiscal year would be April 30 but the individual agencies had 90 days thereafter in which to report, which conceivably could result in their report coming after the delivery of the budget and certainly before the preparation of the budget. That could be quite a sticky point, I would think.

Mr Sutherland: They'll probably be on the same

financial year, March 31 ending. That point is certainly noted.

Mr Arnott: That's to report to the Minister of Finance, not to the Legislature. The report to the Legislature is at the discretion of the government and could very well take place Christmas Eve.

Mr Sutherland: Could I just say that I don't think there's ever been a problem in terms of tabling annual reports of corporations. Just with respect to the other comment that had been made about the potential for the ytransportation capital corporation to become another Ontario Hydro, I think there are a couple of points that need to be made there.

First of all, the new corporations are schedule 4 agencies. The type of accountability mechanisms to the government are far different. They are more developed. They are more direct in terms of a minister being able to issue directives that they must implement those types of things. I do believe there's a far greater deal of accountability directly back to the minister, that the types of concerns people have expressed over the years regarding some other agencies such as Ontario Hydro would not occur in this situation, that action could be taken far sooner to correct any potential problems.

Mr McIver: Does that necessarily increase the comfort level?

Mr Sutherland: I think it does because you can deal with the problem far sooner, before it becomes a large problem.

Mr Arnott: So you'll act upon the Provincial Auditor's suggestions on this.

Mr White: What I'm interested in is a bit of a conundrum. The change in the means of raising capital also creates that sort of off-book problem that you mentioned, but I'm not sure you could have one occur without the other. There have been in my area—I represent the town of Whitby and part of the city of Oshawa—a couple of projects. I mention one, the Ontario Realty Corp.

There's a substantive amount of provincial lands which could and should be more properly used for industrial, residential and commercial purposes, which are now essentially not even properly used for agriculture. It's an ideal situation, and when I inquired about the process of freeing up those lands, this is something which would take a decade because of the present process. With the realty corporation, with the advanced direction or goals of that corporation relative to the present situation, that could be done much more quickly, but it can't be done quickly if it's all part of the Ministry of Government Services or Management Board.

Another situation was the development of a large facility for a ministry. I won't go into the specifics of that because it's still being negotiated, but the local

municipality and several private individuals, representing a couple of corporations, got together to say, "Look, we could facilitate the building of this," in a way which I thought was just straightforward. Why hasn't this been done for generations, frankly? But something which was unique, something which was wasn't previously possible prior to this legislation, and their plan basically fits with this.

But again, it would be off-book and how do you reconcile—you know, the borrowing would always be there. As you mentioned, it has to be part of the overall revenue expenditure picture for the government. But by creating the capital corporation, it allows for a flexibility that doesn't currently exist. It would allow for infrastructure, it would allow for development of government lands for both private and commercial and industrial uses. I think what I'm hearing from you is that conundrum. In doing that, then you're moving things off-book, but you're also moving them out of central Queen's Park control to a schedule 4 agency.

1650

Mr McIver: Certainly that is what I've been given to understand, that it is necessary to create these agencies in order to facilitate the type of transfer that you're talking about. Personally, I find it a little difficult to understand why it is necessary to create this agency or these agencies in order to accomplish that. But taking that at its face value and given—the first instance that you cited is surely nothing other than a capital asset disposal, which governments have been able to accomplish all along. There's no private sector involvement there.

Mr White: Under the present situation, it would require almost a decade to go through that process, whereas with the proposed realty corporation that process could be sped up significantly.

Mr McIver: I guess my answer to that would be, first of all, why cannot other methods of speeding up—why is the bureaucratic process so slow in that regard? Is it really necessary to introduce this type of agency in order to do so?

If it is, that's fine. My concern was simply that there be a recognition of the increase in the debt and the deficit that is taken on the shoulders of Ontarians as a consequence of these agencies and not that they be sort of sloughed off to some appendix in the book or to some separate reporting mechanism and, at the same time, that there be a provision to enable the casual reader of government accounts to understand from one year to the next that if the capital budget appears to have shrunk by \$2 billion, that it be certain that it has shrunk by \$2 billion and that it not be a situation where in fact it has risen by \$2 billion and that the debt of Ontarians is now \$4 billion higher than purports at that first glance superficially to be there in the budget document.

It really is a concern with accounting techniques, and I wish I had heard the auditor because I'm sure he would be in a much better position to recommend a method whereby that problem could be reconciled. It doesn't mean that the agencies are necessarily bad in and of themselves, and in fact as we've suggested, there are some significant positives perhaps towards having these agencies. It's more the Ontario Financing Authority—I may have the name wrong—but its reporting methodology that worries me.

Mr Smith: But you really are touching on a key point, I think, from our perspective. I'm again speaking on behalf of transportation and planning, but the reality is in the last 10 years if we look at public transportation, nothing has happened in Metro, or very little has happened, and if the transportation capital corporation can create that momentum, that initiative, that whatever is required to make projects happen, as you're describing, and reducing that time span from 10, 20 years down to immediately, then—and definitely that's why we're behind it. We're saying this is a major opportunity to move things forward. Things haven't been happening in Metro, for whatever reason, and if it takes getting the private sector involved to make it happen, then we're fully in support of it.

The issue of reporting accountability, it's been touched upon already and maybe it'll be provided for and maybe the auditor's already commented on it. In terms of making things happen, that's why we're behind it, both in a highway and public transportation sense.

The Chair: Thank you. Mr Phillips.

Mr Phillips: I have a question, but I think maybe Ben wanted to go first.

The Chair: That's fair.

Mr Grandmaître: It doesn't matter. Go ahead, Gerry. I'll go second.

Mr Phillips: I appreciate the board's presentation and I think you've got your hands on one of the issues, and to the extent that we believe as a province we can't afford to continue to spend in a certain way, but that we use these vehicles to hide our real expenditures is one of our concerns. We, like you, believe there's some merit in the transportation capital corporation, but I think we should be watching carefully these mechanisms because in my opinion there's \$600 million a year of debt building up on school board books, hospital books, that is solely, totally the responsibility of the province. It owes that money, it will repay it, but it's going to be on those books.

Every year, yesterday we heard, the government plans to transfer \$250 million worth of these buildings into the realty corporation and lease them back. We will take on a brand-new lease cost we didn't have and we'll take in the revenue, \$250 million.

We heard that the sewer and water corporation will get \$150 million a year from the province, not in the

form of grants but it will be in the form of, "Get the finance agency to go out and borrow the \$150 million and the province will undertake to repay it over a 20-year period."

Those things don't bring any new money; they are just a different way of raising debt. The merit in all of this is if we can bring some new money, and that's where the toll road does bring "new money." Now maybe people in the 407 area will say, "Well, it's a tax on me," but the rest of the province will think of that as new money. Similarly, with the transportation one the rapid transit can perhaps bring some new money.

I think what we have to do, all of us, is monitor this as we go through it to see, are we artificially raising money, because some people think this is new money, but it's just sort of like, "I can't afford to buy a car so I'll lease a car." Well, sometimes if you can't afford to buy a car you can't afford to lease a car because you are essentially buying it and making your monthly payments on a lease payment instead of a loan payment.

I appreciate the board's comments, I think in a positive way about the benefits of it and in a cautionary way, and I support very much your cautionary notes about watching whether this is real. I would just encourage the board to read the auditor's proposals, which I think have a fair bit of merit and may be helpful to all of us. I'm sorry, that was more a comment than a—you had a question, Ben.

Mr Grandmaitre: Okay, let's talk about toll roads. You do support tolls for especially Highway 407, and this is understandable, being from Metro, but let's talk about your four criteria.

The number one criteria is "A parallel, non-toll road must exist to maintain choice for drivers who do not wish to pay." Is this applicable to Metro only, or would you say this criterion should apply for the rest of the province?

Mr Smith: Having been involved in the development of some of these criteria, I guess we were looking primarily at Metro initially. I'm not sure what the implications are of saying it applies universally in Ontario. I would think if we were being consistent in our application, we'd be looking and say yes, that criterion is universal, but we really didn't look at it beyond the Metropolitan Toronto, the GTA, area and saying what are our options here and how we would like to see it evolve if we went ahead with the toll road concept.

Mr Grandmaitre: Imagine what the cost would be in rural or northern Ontario.

Mr Smith: Sure, and we haven't looked at that particular implication. Right now we have a problem here in Metro and the GTA we have to deal with and here's an option to deal with it and it still gives people a choice where you have that option as a user to pay or not pay. We thought that was a fair and reasonable way

to approach it, but you're right. There may be a greater implication if you went into Sudbury and said, "We need to build this road and we have no other choice." That's a different set of criteria perhaps.

Mr Grandmaitre: But, generally speaking, you do support user fees?

Mr Smith: In this application, yes.

Mr Daigeler: I think you have mentioned some of the concerns that we've raised for some time. At the same time, you have indicated willingness to try this out. It may work.

You did say that the interest from the private sector—we're all interested to get the private sector to put up some money. Let's face it, that's really what we're after. We're saying the taxpayer through the normal process can't afford it, perhaps we can get some big private money interested.

I'm still a little bit leery as to who all these people are with the spare bucks, and I think you put a cautionary note forward there that certainly in terms of public transit, with the real estate the way it is at the present time, there doesn't seem to be that much interest out there from the private developers even if we were to build the public transit. There don't seem to be too many people out there who'll say: "Yes, I'll give the government so much money. I'm interested. I'll put so much money up front, because I know I will profit in the long term."

I think a few years ago, if I'm not mistaken, I did read in the newspaper a few people saying that they were willing to upfront money, but I haven't heard anything recently there. Can you indicate to me, from your contacts with the private sector, whether there are some out there who have deep enough pockets at the present time?

Mr Smith: I think you have to separate it into two points. As to your comment, yes, there was interest. At the peak of the real estate era, when you're talking about the late 1980s, maybe even 1990, you had a group, for example, on the Sheppard subway line that was proposing to contribute moneys to the construction of that particular line. The opportunity they were looking for was a return on investment and development around notable points etc. That's still philosophically a part of the concept here.

As to whether or not right now you have an interest from the private sector to commit significant dollars, there may be some contribution, but you're talking about 20%. Whether that interest is there today, I think we with the board would question that, and we've been questioning it throughout, since this has been announced. The reality, though, is that maybe five years from now you'll see that resurgence of interest as the economy itself picks up potentially.

What you're doing, in effect, if you separate it into two parts, is you're creating a mechanism to allow it to

happen which you didn't have before. That makes sense philosophically. Whether in practice right today you're going to see something happening, that's questionable. The only issue we're raising is, if it doesn't happen, the commitment's made and who pays?

Mr Daigeler: I agree with you, but it's just that Mr Mammoliti's workers who are sitting next to the telephone may have to wait another five years.

The Chair: Thank you, gentlemen, for appearing before us today. We always appreciate hearing from the Metropolitan Toronto board of trade.

The committee will know that we will sit tomorrow morning at 10 o'clock in this room.

The committee adjourned at 1703.

Continued from overleaf

STANDING COMMITTEE ON GENERAL GOVERNMENT

***Chair / Président:** Brown, Michael A. (Algoma-Manitoulin L)

***Vice-Chair / Vice-Président:** Daigeler, Hans (Nepean L)

***Arnott, Ted** (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

Fletcher, Derek (Guelph ND)

***Grandmaître, Bernard** (Ottawa East/-Est L)

Johnson, David (Don Mills PC)

***Mammoliti, George** (Yorkview ND)

***Morrow, Mark** (Wentworth East/-Est ND)

Sorbara, Gregory S. (York Centre L)

Wessinger, Paul (Simcoe Centre ND)

***White, Drummond** (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Cousens, W. Donald (Markham PC) for Mr David Johnson

Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

Mathysen, Irene (Middlesex ND) for Mr Fletcher

Phillips, Gerry (Scarborough-Agincourt L) for Mr Sorbara

Sutherland, Kimble (Oxford ND) for Mr Wessinger

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Standing committee on
general government

Capital Investment
Plan Act, 1993



Comité permanent des
affaires gouvernementales

Loi de 1993 sur le plan
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Wednesday 18 August 1993

The committee met at 1003 in the Humber Room, Macdonald Block.

CAPITAL INVESTMENT PLAN ACT, 1993

LOI DE 1993 SUR LE PLAN D'INVESTISSEMENT

Consideration of Bill 17, An Act to provide for the Capital Investment Plan of the Government of Ontario and for certain other matters related to financial administration / Loi prévoyant le plan d'investissement du gouvernement de l'Ontario et concernant d'autres questions relatives à l'administration financière.

The Chair (Mr Mike Brown): The standing committee on general government will come to order. The purpose of the committee is to consider public deputations regarding Bill 17, the capital investment plan.

The first presentation this morning is from the Ontario Municipal Water Association and the American Water Works Association. Mr Beck.

Mr Kimble Sutherland (Oxford): Mr Chair, if I may, while they're coming forward, there had been a request for the government to table its amendments. Those amendments have been, I believe, tabled with the clerk this morning.

The Chair: Thank you. I am informed by the clerk that those are presently being Xeroxed and the members will have copies of same shortly.

Mr W. Donald Cousens (Markham): You should say "photocopied." "Xeroxed" has a certain—

The Chair: Someone who was connected with another company at one point in his career would be sensitive to that. Thank you, Mr Cousens.

Mr Cousens: I have never seen you make another mistake in this committee.

The Chair: It is rare, Mr Cousens.

ONTARIO MUNICIPAL WATER ASSOCIATION
ONTARIO SECTION, AMERICAN WATER WORKS
ASSOCIATION

The Chair: Good morning, gentlemen. Thank you for appearing before us this morning. We have allocated one half-hour for your presentation. The members always appreciate some opportunity to ask questions, so if you'll leave a little bit of time we can do that. You may introduce each of the people at the table for the purposes of our Hansard, and you may begin.

Mr Dick Beck: Thank you, Mr Brown, for the opportunity to appear before the committee today. I am Dick Beck. I'm a past president and currently a director on the board of the Ontario Municipal Water Association. With me are Don Black, executive director of the Ontario Municipal Water Association; Jim McDade, our

president; and also Rod Holme, who is past chair of the board of trustees of the Ontario section of the American Water Works Association.

Our presentation today will focus on our support of the creation of the Ontario Clean Water Agency by Bill 17, as well as our thoughts on the directions for this agency.

The Ontario Municipal Water Association, OMWA, is an association of elected and appointed officials representing 200 municipal water authorities in Ontario. We work on issues of mutual interest and concern with the Ontario section of the American Water Works Association, known as AWWA, which represents technical and management waterworks professionals. OMWA acts as a spokesperson for municipal water supply authorities in Ontario and their customers on legislative reviews and regulatory matters related to supply and usage of drinking water. The Ontario section of AWWA has over 1,000 individual and water utility members, representing all the major water supply authorities and many of the small water systems in Ontario. Together, our associations have a wide cross-section of knowledgeable representatives from water supply authorities across the province who can provide direction and leadership on water supply and other water policy issues.

Both our associations support the establishment of the Ontario Clean Water Agency with a mandate to carry out water-related programs and to coordinate the activities and programs of other ministries involved with water supply and distribution. In fact, we have had numerous discussions with the clean water transition team since its inception to express our ideas on the Ontario Clean Water Agency, which we'll call OCWA, and to offer our assistance to government based on our practical experience in the waterworks area.

Talking about the current environment, both OMWA and the Ontario section of AWWA believe the establishment of OCWA is necessary so that adequate attention and resources are devoted to managing and sustaining Ontario's water supplies. In fact, we have several concerns with the current environment as it relates to waterworks policies in Ontario.

(1) We strongly believe there is a need for coordination and cooperation between the province and public water authorities on the issues of water supply, treatment and conservation and the protection of resources.

(2) There is also a need for coordination and cooperation between public water authorities, especially when

choosing water sources, to ensure that the source chosen is the best alternative and the least costly option for all water authorities in the area.

(3) The waterworks industry in Ontario is fragmented and in need of direction at the provincial level. Currently, there are several government ministries, such as Environment and Energy, Municipal Affairs, and Natural Resources, which deal with waterworks matters on a case-by-case basis without an overall plan.

(4) In addition, government grants to public water authorities for the development or improvement of municipal water supplies have been inconsistent, and in some cases have been counterproductive by rewarding public water authorities regardless of their performance in long-term planning, the maintenance of their facilities, or their rate charges or accounting practices.

(5) As a result of the inadequate attention previously given to water issues by both provincial and municipal governments, the public do not recognize water policy as a priority unless they personally have been affected by water supply or quality problems. There is a great need to educate the public that water is not free, that it is not an inexhaustible supply, and that there is a need for proper funding and planning of water projects. Uniform accounting and full-cost pricing of water are two ways of addressing these issues.

Talking now about the role of OCWA, the Ontario Municipal Water Association and the Ontario section of the American Water Works Association believe the establishment of OCWA will address some of the concerns that we have identified. We believe that the agency should play the role of the facilitator and catalyst for generating and implementing water policy ideas, as well as public education and water conservation programs.

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We understand that the Ontario Clean Water Agency will not have powers to develop policy, although it may review and comment on water policies developed by other ministries. We believe that while the agency will be essentially an operational body implementing ministerial policies, it must function at arm's length from the government. In addition, OCWA should be client-driven, with funding provided by those who use its services. OCWA should be accountable to its clients as well as to the Minister of Environment and Energy.

Speaking now of the municipal assistance program, formerly the provincial water and sewer capital grants program, we endorse the new approach of the municipal assistance program for public water authorities which will be administered by OCWA. This, however, is only a first step towards reforming the grant program. We believe that one of the first tasks of the agency should be to review and revise the current grant program so that it focuses on loans rather than grants.

While the new municipal assistance program bases eligibility for grant funding on certain provincial priorities, OMWA and the Ontario section of AWWA strongly suggest that funding assistance under the new grant program should be based on the applicant's actual record of plant maintenance, its ability to charge adequate water rates and its efforts to complete long-range planning. A loan program, as opposed to a grant system, may also result in a savings to the provincial government. We've highlighted this concern with OCWA's transition team and it's our understanding that this is an issue to be examined further.

Furthermore, the ratings assigned to each grant application and the monetary awards distributed should be published promptly after decisions have been made. This would build confidence among water authorities that the program is being applied fairly and in line with the criteria.

A word about uniform accounting and full-cost pricing. While OCWA cannot develop policy on its own, OMWA and the Ontario section of AWWA believe that the agency should recommend to the government that a uniform accounting and full-cost pricing system for water be implemented for all public water authorities. This would help ensure that water usage is accurately monitored and that payment for water adequately reflects the amount consumed. Because water usage and cost are often not known accurately, there is inadequate recognition by the consumer that there is not an endless supply of water, that there is a cost associated with using this resource. Uniform accounting and full-cost pricing are critical in achieving water resource management.

On the subject of policy responsibility: OMWA and the Ontario section of AWWA support the establishment of OCWA to act as a facilitator and to work in partnership with local water authorities when advising them on water policy, long-range planning for water supply and coordinating and interconnecting water systems. When necessary, we believe the agency could help settle disputes on water issues, such as locations of groundwater schemes, which may arise between users.

Furthermore, the establishment of OCWA should ensure that there is proper coordination regarding waterworks policy, not only between the province and public water authorities but between public water authorities as well. Coordination between municipalities and public water authorities in the area of waterworks policy, particularly when choosing water sources, will ensure that the best and least costly option is selected.

In recent years, the selection of groundwater schemes by different water authorities in the same locality has resulted in considerable problems. Also, since the waterworks policy within the government is fragmented with various policies scattered in the ministries of Environment and Energy, Natural Resources and

Municipal Affairs, OCWA should function as the central coordinating agency for these polices to ensure that provincial water policy is consistent.

While it's true that the agency will assist the government with its financial challenges, setting up an agency which is focused on water and waste water issues demonstrates to the public that these issues are important and ensures that the government will devote adequate attention and resources to them.

Speaking briefly about funding, we strongly agree that the agency should be self-funded and that all activities should be carried out on a cost-recovery basis for public water authorities, municipal governments, the provincial government or private parties. The agency should operate on a no-deficit basis. Funds collected by OCWA for services should not be deposited into the general revenue fund of the provincial government, but should go back into the operating fund of the agency.

Also, we firmly believe that one of the duties of OCWA should be to ensure that all municipalities use waterworks funding for waterworks purposes only, particularly in those municipalities which do not have public utilities commissions. Again, while we realize that the agency will not have the power to make policy in this area, it will have the power to strongly encourage that water funds be used appropriately by all public water authorities. OCWA can work with other ministries to ensure that this is the case.

Briefly, on the structure of OCWA, we would recommend that the Ontario Clean Water Agency establish technical and financial advisory committees for the agency where groups such as OMWA and the Ontario Section of the AWWA, having technical and financial expertise in the area of public water systems, could work with the agency in making sure that benefits are achieved for all.

In conclusion, both the OMWA and the Ontario Section of the AWWA strongly support the creation of the Ontario Clean Water Agency. We believe that the agency will play a valuable role as facilitator and coordinator and catalyst for waterworks policies, as well as coordinator of policies within the government, between public water authorities and the province, and between public water authorities themselves. With water and waste water issues as its area of responsibility, the establishment of the agency will ensure that these issues receive the long overdue attention and resources that they need.

The Ontario Municipal Water Association and the Ontario Section of the American Water Works Association will continue to show our support by working with the clean water agency transition team to help ensure that the Ontario Clean Water Agency is a success.

We've attached to our written brief a summary of recommendations for OCWA. I don't propose to read

through those in detail. You can examine them at your leisure. We would now be happy to try and answer any questions that any of your committee members may have.

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The Chair: I'm sure we do have some questions. Mr Phillips.

Mr Gerry Phillips (Scarborough-Agincourt): What do we each have?

The Chair: Slightly more than five minutes.

Mr Phillips: I really appreciate your presentation. What I think we're increasingly finding out is that OCWA means many things to many people and that what originally started out as a creative way for capital, now is increasingly looking like it's kind of, if you will, the Ontario Hydro of water. I think that's where you see this, in fairness, and I think that's the value you see in it, that there will be a provincial independent body set up as what we call a schedule 4—it's like the Worker's Compensation Board or Ontario Hydro—to administer water. The parliamentary assistant says this and I don't think he understands what a schedule 4 agency is, and I'll ask him later on to explain the difference between a schedule 2 and a schedule 4.

In any event, in terms of the future, do you see OCWA setting a uniform water rate across the province or do you see full-cost recovery depending on where you live and the cost of getting you water? On the funding, you've mentioned moving away from the grant proposal to a loan-based proposal. Does the group see eliminating grants which are envisioned to assist municipalities that may have difficulty in fully funding their system from their own users?

Mr Beck: Yes, on the question of uniform rates, we don't see OCWA as ever having anything to do with setting individual water rates in individual municipalities. That's something any municipality would fear, because they have their own requirements. But we do see OCWA as trying to promote a uniform accounting system to ensure that all the costs associated with water or sewage are indeed identified and accounted for on a uniform basis, so that there's a comparable system across the province for all municipalities, regardless of how the water systems are organized.

No, they wouldn't set rates, but we would very much like to see uniform rates structured—that is, accounting policies—and dedicated revenues as a basic principle, that the water revenue goes to the water system and the sewage revenue goes to the sewage system, and nowhere else, and there are no other sources of revenue.

On the other, I'll just talk briefly about loan-based. This needs more study. We've tried to discuss this and it needs a lot more discussion and study to see whether there is a better alternative than grants. Our concern with grants is that they have sometimes tended to

reward people who have let their systems run down when they should have been spending more money on them. Maybe there's a better solution.

We still recognize that there are small municipalities in particular, and remote municipalities perhaps, that need more assistance. This is recognized under the municipal assistance program currently. We aren't sure whether you'll ever be able to eliminate that, but it's something that deserves more study. I think all the groups represented here would be quite happy to try to contribute to further study of this problem with OCWA, over the next year in particular, to see whether we can come up with a better answer.

Perhaps Mr Holme would like to comment a little bit on this, if he could.

Mr Rod Holme: Coming from the Ontario section of the American Water Works Association, which is looking at the management and the professionals who design and operate the systems, we certainly on occasion see a disincentive coming from the grants system, whereas some other form of funding of the system would encourage good management of that system over time. Our association has developed policies. It has done a lot of research which can provide a lot of assistance as to how that can be achieved. We see an objective there which I think can be of benefit to both the users of water, to the water supply authorities and ultimately to the provincial government.

Mr Phillips: A technical question: The way I read the act, I thought OCWA had the authority, through regulations, to set the rates.

Mr Beck: I'm not sure we quite understand your question. To set the rates of what?

Mr Phillips: Of what they will charge.

Mr Beck: Oh yes, for their own services, absolutely. This is what we mean by full-cost recovery. We fully support that idea that for the services of OCWA and its own investments all its costs should be fully chargeable to its clients. That is quite so, yes. We agree with that.

Mr Bernard Grandmaître (Ottawa East): We were also told yesterday by another group that the cost of this service or water could increase, that there would be an increase between \$200 and \$800 per household. How do you see this?

Mr Beck: I would think that numbers like that indicate probably extreme ranges. There are some water authorities—probably the separated public utilities are the best-run in that respect. They have no other source of revenue than their ratepayers and they spend all their money on their own systems. In municipalities where the water departments are operated perhaps as a portion of the municipality, it's never quite clear whether they're being subsidized by some other part of the taxpayers' money or whether their funds are being used to subsidize some other part.

There's a general feeling in the industry, based on a lot of studies that have been done, that many systems are now aging—50 or 100 years old, parts of them—and that while some municipalities have done a very good job of maintaining and upgrading those systems, there are a great many that have not done the job they should have. Those are, I think, the ones that will see the largest increases in the rates which must be charged to do a proper job. I get the impression, and perhaps Mr Holme could comment, that this is even more so on the sewage side of the business than on the water side.

The problem is to do catch-up. If you have a system that's, let's say, 100 years old, or it's going to last 100 years, then you'd have to spend something like 2% a year if you want to replace it in 50 years or something. Those amounts are very large numbers of dollars if you start looking at them, because the replacement costs for those systems are very high today. Mr Holme?

Mr Holme: I think it's important here to look at the question of good management and having reserve funds, having the money in place to make these things happen. There have been a number of studies done in the past which have indicated that the cost of water, in many respects, is generally too low.

Mr Grandmaître: Agreed.

Mr Holme: I know the numbers you saw, which talked about some fairly significant increases. I think the general feeling is that they don't have to be of that magnitude, but if there were full-cost pricing and separate accounting, then you would be able to judge exactly what the cost of the service should be and it would be based on being a self-sufficient industry.

We don't want to see rates increase any more than anybody else does, but we do feel strongly that in order for the systems to function correctly and have public confidence in them, then they have to be adequately maintained and that can be done by a sensible accounting system.

Mr Grandmaître: One short question?

The Chair: Mr Arnott?

Mr Ted Arnott (Wellington): Give him his question.

Mr Grandmaître: In your meetings with the transition team, was full cost discussed?

Mr Beck: Yes.

Mr Grandmaître: We don't have any minutes of those meetings. Can you tell us briefly—

The Chair: That's another question, Mr Grandmaître.

Mr Grandmaître: Well, that's a follow-up, Mr Chair.

The Chair: You're using Mr Arnott's time. Mr Arnott.

Mr Arnott: Thank you, Mr Chairman. When we talk

about full-cost pricing, I think in response to an earlier question you said that you wouldn't recommend a uniform price of water across the province, the same price in Sioux Lookout as Toronto. If we're looking at full-cost pricing in individual municipalities, there may be substantial deviations between the price, unless you're prepared to have the customers of the cheaper water subsidize the customers of the most expensive water. That's what you're suggesting?

Mr Beck: Yes.

Mr Arnott: Okay. We heard yesterday what full-cost pricing will cost, and the recommendation or the suggestion was that an increase might be in the order of 8% per year, the average water bill going from something like \$130 a year for a household to about \$800 a year over quite a significant number of years. That's a politically dicey issue when you're talking about increases of that magnitude.

I wondered at the time yesterday, and I don't know if you can answer this question or not, presumably if price increases of that magnitude were allowed, you would see a decrease in the consumption of water. People would find ways to conserve water in a way they don't now. Have you any suggestions as to what the effect on consumption would be if increases of that magnitude were allowed?

Mr Beck: Certainly, that is why there's a lot more interest in conservation now. The message we want to get out to people is that we've got to look after these systems. If costs have been pushed off into the future, then they're going to catch up eventually. One way of minimizing those costs—for example, if you think you have to expand a plant, the feeling today is that you should really be looking at conservation measures and education of the public first, before just enlarging capacity. So yes, public education and conservation are very important and they will help to minimize. It's important to talk to our customers on a local basis about this, make sure they understand what the issues are and get their cooperation in minimizing these costs.

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Mr Arnott: We've been told that Ontarians are among the highest per capita users of water in the world. If we start comparing ourselves to other jurisdictions, could we expect, say, a 20% reduction in our consumption per capita or could we expect 30%? What sort of decreasing consumption can we shoot for?

Mr Holme: If you look at numbers around the world and particularly use some areas of Europe as an example, then the numbers are maybe as low as 50% of what the Canadian or particularly the North American consumption is. It is extremely high. There is definitely a relationship between the cost of water and the usage. Certainly at this time there's also a concern with water producers in terms of their own fixed costs. Then reducing consumption doesn't automatically reduce the

cost by an equivalent amount. That is an area where there is a significant amount of ongoing research in terms of management. There are a lot of pilot projects out there which are attempting to prove what the exact relationship is.

I think we, as associations, understand the concern about dramatic increases in the cost of anything. Our two associations are not trying to advocate increases in price. We're very sensitive to the impact of that. What we want to see is perhaps an increase in price but also a dramatic improvement in service and quality as a result of that.

Mr Arnott: I think research is very important because it helps the government. If the government can be told, "Look, you may increase price, but the overall householder bill will not increase substantially, because consumption will decline," it makes it a lot easier.

Mr Holme: There have been a number of major not only research projects but conferences held in recent times. There was one earlier this year in Winnipeg on conservation. There's another one later this year on North American bases, at which I think a lot of this information is going to come out. It's current research. It hasn't been an issue in the past. It's a very ongoing, hot topic. Again, I think that's an area where the clean water agency can play a significant role in a coordinating sense across the province.

The Chair: Thank you. Ms Mathysen and Mr Hope.

Mrs Irene Mathysen (Middlesex): Thank you for this presentation. Yesterday we heard from Mr Powell and Mr Cochran, and I think you're echoing their concerns and basically reiterating what they were saying about the need to take very firm action.

I wonder if you could clarify a couple of things for me. My sense of OCWA was that it was to basically address the fact that we haven't used water wisely or well in the province. I think it's something like 300 litres per person per day, which is simply not acceptable usage. Balancing our need to conserve with the fact that protecting the environment and human health is going to cost a phenomenal amount of money, more than any government could provide, my sense was that OCWA did provide that bridge inasmuch as the emphasis was on water conservation, good land use, planning; that municipalities were basically going to receive their funding based on more responsible water management. Are we going far enough? Could you give us some advice in terms of how we can bring them along even better?

Secondly, you were talking about full-cost pricing and the need for a reserve fund. Are you suggesting that any profits OCWA might realize should go into a reserve fund for future infrastructure or am I misunderstanding?

Mr Beck: All we're saying is that OCWA should operate as a separate business entity, and if one particular year or quarter or couple of years it generates a surplus, it should stay within the organization. It could be used for improvements in, for example, its plants which it has to operate or whatever, or it could assist in research, or it can simply reduce the rates that it charges its own clients, which is what we do in the municipal water industry. If we have spare cash, it's taken into account in setting the rates for the next year.

Mr Holme: If I could, I think there is also an issue here of recognizing OCWA's role in working with its own clients and running the facilities that it will be operating, which are the existing Ministry of Environment and Energy plants. Of course, we also see that, as we've said, it becomes the facilitator and the catalyst to show the example to the rest of the municipal water authorities in the province of how the management and financing of these organizations can be improved.

So we recognize a difference here. We certainly are supporting the clean water agency because we see it has an excellent role. We recognize and in fact I think it would be safe to say that we don't want it to take on a total responsibility for the entire province. It has to become an example that people will want to follow or want to become part of. I think that's the role we see for it.

Mrs Mathysen: In its current form, do you think we are achieving that end? I'm looking for advice, I guess.

Mr Beck: We don't think OCWA goes as far as we would like in being able to mandate that utilities follow uniform and full-cost accounting practices, but we realize that wasn't the mandate at the start. Perhaps it could move towards that in the future. We aren't quite sure what will happen there. We'd like it to go further.

The Chair: Mr Hope.

Mr Randy R. Hope (Chatham-Kent): How much time have I got?

The Chair: Just start and I'll let you know.

Mr Hope: I just want to know if I have to put it all in one question or whether I get a supplementary on the end.

I'm interested in the accounting process, and you talk about public education. Let me tell you, from rural Ontario, the first public education is putting a water meter on somebody's house and then issuing a bill. Public education becomes an awareness right away, as soon as you've got to pay that bill versus not having to pay that bill before. That's the first step of public education.

I was looking at the number of municipalities you represent, and I am one who represents rural communities. We have two types of sources of water. The municipality has its own jurisdiction, which controls

virtually everything, economic growth and everything outside the city limits, and then we have regional water distribution.

I'm interested in your accounting practices. In regional water distribution systems, when you do capital work, the capital cost is distributed to all those municipalities to put on their books versus the books of the facility. I was interested when you said, "No debt." You're distributing that cost over to the municipalities' books, and then they have problems with their capital projects and whatever they want to do.

Are you saying that in order to get a full analysis, capital costs should be allocated to the facility and the facility only so that way you can prove justification for the expenditures: whether it's working, whether it's paying itself off through capital? You've got to make investments, because usually in your water rates you have capital built into that water rate system.

So there's that area of the accounting, dealing with municipalities and regional distribution. The other question I have is around the strong hold of the municipalities on outlying areas, smaller communities. They dominate and control. They say: "You have to annex land in order for us to give you water," which then allows urban sprawl. I wanted your comments on those two.

Mr Beck: Could I ask Mr Black to talk about the accounting policies just briefly? I see we haven't got much time.

Mr Don Black: What we are saying is that the asset that either the region or the municipality or OCWA has should be set up as an asset and amortized over the life of that asset, and then the cost recovery takes place over the period of that asset rather than putting all these costs in the current year. Basically, all we're saying is that the waterworks utilities in the province of Ontario and OCWA should be operated on a businesslike basis.

The other question was?

Mr Hope: About the strong hold of municipalities, urban sprawl.

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Mr Black: I think we say in the brief that OCWA should be the facilitator, the coordinator, and deal with these issues. I personally see no reason why water cannot go into an outlying area without annexation taking place.

Mr Beck: Yes, we see that there's a political problem here and we don't have to—

Mr Hope: A little problem?

Mr Beck: But that's something that could be further discussed to see whether we can't come up with better solutions. Everyone's jealous of their own territory, we know that, but it sometimes leads to uneconomical solutions to rather large problems. Somehow we've got to try to find a way to deal with that.

Mr Black: The accounting issue should be very simple. It's strictly setting the waterworks accounting system up on a businesslike basis, setting up your assets, taking depreciation, recovering the cost over the estimated useful life of the assets.

Mr Hope: So you're saying, "Don't put the debt on somebody else's books. Put it on your own books."

Mr Grandmaître: That's what we've been telling you for years.

Mrs Mathysen: Years?

Mr Hope: Oh, come on now.

The Chair: Now, let's not tease the bears. Come on.

Mr Hope: It was eight years that they dealt with the pipeline project—

The Chair: Strangely enough, the time for this presentation has expired.

Thank you, gentlemen. We appreciate your presentation a great deal. We will be conducting the clause-by-clause tomorrow and the bill will be reported to the House this fall. Thank you for coming.

ONTARIO HOSPITAL ASSOCIATION

The Chair: The next presentation will come from the Ontario Hospital Association. Good morning; welcome. We have allocated one half-hour for your presentation. We appreciate, always, some opportunity to discuss as a committee your presentation with you. We would appreciate it if you would introduce yourselves for the purposes of our Hansard recording. You may begin.

Mr Richard Ernst: Thank you, Mr Chairman. We are pleased to have the opportunity to make this presentation to the standing committee on general government regarding Bill 17, the Capital Investment Plan Act, 1993.

My name is Richard Ernst. I'm the assistant executive director of finance and clinical services at Guelph General Hospital, but I'm here today as chair of the Ontario Hospital Association's financial advisory committee. With me is Susanne Bjerno, who is the director of the Ontario Hospital Association's financial management services.

The mission of the Ontario Hospital Association is to play a leadership role in helping to shape Ontario's health care system so that it continues to meet the demands and needs of the people of Ontario. The OHA is the collective voice of Ontario's 222 public hospitals.

With that in mind, our financial advisory committee has studied Bill 17 extensively since it was introduced in the Legislature earlier this year. The potential impact of the bill prompted the committee to recommend this appearance before today's committee to express concerns from the perspective of Ontario's public hospitals.

The scope of the bill is very broad, establishing three new crown corporations and continuing another. There

are several parts to the bill and our focus today is mainly on part II, which deals with financing arrangements for municipalities, school boards, post-secondary institutions and, of course, hospitals.

Our presentation relates specifically to concerns about the bill's implications for capital financing for the hospital sector.

As I'm reading my presentation to you, it will be fairly consistent with the brief that has been distributed to you, but there have been some minor changes to that. If they're significant, I'll advise you and perhaps you could change the notes in front of you.

In order to make our concerns clear, I will give you a little background on our situation. Prior to April 1, 1993, it was clear that hospitals received direct grants from the Ministry of Health for capital projects for the construction or renovation of hospitals, including necessary equipment. These capital projects required ministry approval.

Bill 17, in itself, does not remove this authority. The Minister of Health continues to have the authority to make grants and loans to hospitals under the authority of sections 5 and 6, not 6 and 7 as noted on page 2 of your handout, of the Public Hospitals Act, and that is referred to in appendix A of the brief.

There are a number of regulations under the Public Hospitals Act that set out the terms of hospital capital funding. Attached in appendix B for your information are the relevant regulations under the Public Hospitals Act.

The Minister of Health has recently revoked these regulations, creating a single regulation, which is Ontario regulation 459/93, to deal with grants and loans.

Regulation 960 authorized the Minister of Health to pay up to two thirds of the cost of hospital construction or renovation programs which had received ministry approval. In cases where a hospital was located in northern Ontario, as defined in the regulations, the capital grant could be as much as five sixths of the approved shareable cost.

Hospitals are responsible to make up the difference, either one sixth or one third, between the capital grant and the approved shareable cost. The Ministry of Health's commitment to hospital capital projects, as at March 5, 1993, totalled \$2 billion of the \$3 billion in shareable costs.

The graphs attached to our presentation, which are included as appendix C, further illustrate the significance of hospital capital funding to the province. Over the past 10 years, the average annual capital grant for health facilities has been \$186 million, as outlined in appendix D.

Bill 17 could significantly change hospital capital funding. It is unclear from the actual text whether it is intended to create a second, parallel stream for financing

in addition to the systems of loans and grants under the Public Hospitals Act or whether the intent is to replace the grant system with one based on loans through the Ontario Financing Authority.

The OHA and our member hospitals are understandably troubled by this uncertainty. In these times of tremendous fiscal restraint, any changes to hospital allocations, whether for operating or capital, are of great significance to our member hospitals. The ability to access capital funding is a critical component of the overall abilities of hospitals in the current fiscal climate even to maintain their existing physical plants to comply with Ontario fire code and occupational health and safety requirements, to say nothing of planning for the future.

There will be continuing need for capital to meet the changing patterns of health care delivery. There has been a major shift towards outpatient and ambulatory treatment from the traditional inpatient modalities. Many hospitals require capital funds to allow for reconstruction of their outpatient units to accommodate the distribution of patient services.

It is imperative that the changes introduced under Bill 17 do not limit the ability of the hospital system to access vital capital dollars. It is also essential that any change from a grants-based process to a loans-based process, or a combination of these approaches, not have an adverse effect on hospital operating transfer payments.

We are clearly moving into uncertain territory with Bill 17 and therefore our primary objective for appearing before you today is to make two critical points in an effort to ensure that hospitals are not exposed to financial vulnerability for repayment of loans for which the government should be completely responsible.

Bill 17 creates a framework whereby a public hospital can borrow funds through the Ontario Financing Authority, but there are broad areas of the bill which must be clarified.

Subsection 33(3) of the bill refers to payments in excess of \$1 million for capital purposes by the Minister of Health to a public hospital, but these specific provisions apply only through the end of the 1993-94 fiscal year. We are concerned with what might happen after March 31, 1994. This time frame is not specified within the bill. No one seems to be able to say with certainty, and this must be clarified before the bill receives final reading.

Section 30 of the bill has a degree of ambiguity. It states that the Ontario Financing Authority's objects include "assisting public bodies and the province of Ontario to borrow and invest money, developing and carrying out financing programs." Nowhere is it spelled out how this is to be done. Will the \$1-million threshold remain in place after the 1993-94 fiscal year? Once

again, we cannot get clarity on this issue to say with certainty, and this must be clarified or specified before the bill receives final reading.

There has been some confusion surrounding Bill 17 since May 17, 1993, when it received first reading. Part of the confusion stems from its retroactive application to April 1, 1993. There is further uncertainty because of the temporary measures contained in the bill, which will only form a full picture once the Ontario Financing Authority is actually in place. These uncertainties must be resolved.

The relationship between parties to the proposed loan agreement—from our perspective, a hospital, the Ontario Financing Authority, the Ministry of Health and the government of Ontario—in the cases of capital loans in excess of \$1 million is not clear.

The relationship between hospitals and the Ministry of Health under the Public Hospitals Act and its regulations with respect to capital grants is significantly altered. As noted earlier, the multiple regulations have been replaced by one single, simple regulation, Ontario regulation 459/93, which is enclosed as appendix E.

In discussions with the Ministry of Health, the Ontario Hospital Association has previously indicated some areas of concern. As a result, section 6 was added to the regulation. That section states, "It is a term of every loan that the province pay to the hospital the amount of each payment required to repay the loan." However, this clause applies only to loans made to hospitals by the Ministry of Health. Hospitals need the assurance that loans made through Bill 17 and the Ontario Financing Authority contain similar provisions.

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The province must be party to a loan agreement entered into by the hospital and the Ontario Financing Authority. The Ontario Hospital Association requests that the government include in Bill 17 a clause that explicitly guarantees that the province will pay to the hospital the total blended principal and interest required to repay the loan, regardless of the source of the loan.

Our major point is that hospitals must not end up being responsible for those capital financing obligations which would previously have been paid by the Ministry of Health. Government officials have given the Ontario Hospital Association verbal assurances that the creation of the Ontario Financing Authority will not ultimately leave hospitals responsible for repayment of loans through that channel. These loans will be repayable over extended periods, possibly as long as 20 years. It is essential that hospitals be assured that their financial picture will not be adversely affected in the future.

The second major point relates to making sure that hospitals are not expected to repay loans from operating revenues. We would like to draw your attention to subsection 23(1), which permits the Minister of Finance

to deduct portions of the indebtedness of a public body from money appropriated by the Legislature for that public body. There must be no expectation of offloading this debt to hospitals in such a manner.

Although this appears to be a voluntary clause, subsection 23(1) imposes an obligation on hospitals to provide security for the loans. We feel that clarification is required to specify that this provision does not apply to loans made to public hospitals. Under no circumstances should the repayment of a hospital loan be paid out of a hospital's operating grant. It would be totally inappropriate to blur the distinction between the capital loan and the operating grants in this manner.

The OHA appreciates the government's financial motivation for these proposed changes. The association also appreciates that this committee hearing is the appropriate forum for raising our concerns and we are pleased to do so.

Our final point is to recommend that in making appointments to the board of the Ontario Financing Authority, the government should ensure that at least one representative to the board have a hospital background, given the significant number of loans that are likely to be made to hospitals.

Thank you for the opportunity to make this presentation. We would be pleased to answer any questions you may have.

Mr Cousens: That's an excellent presentation and it just proves your worth and it proves the system works. In fact, we found that through the presentations by other groups as well, the value to members who need to know the reaction from the field and the people who are on the front lines, and I know other members of the committee would feel much the same way. The quality of the presentation and the thought behind it are just excellent.

I want to go to Mrs Stewart, if I can, because there are a number of questions raised here that have been part and parcel of the debate in the Legislature. They're asking a number of questions about the guarantees to this. Is there anything in the bill that would address the concern being raised through this presentation that protects hospitals from—or maybe the parliamentary assistant; I'm quite open to whomever—the concerns they have that they will get the money to pay the interest and principal, that the legislation protects that long-term interest, that it is not going to change? There are three or four points in there. Would you like to respond in general to the issues that have been raised?

Mr Sutherland: If you like, I can do that. With respect to what they're saying, or asking for legislation to guarantee the province will pay the hospital, this isn't just verbal transfers of money. There will be written, signed, legal contracts that will be signed between the hospital and the authority that, obviously, would give

the hospital the ability to sue the province in court if the province didn't uphold its end of the legal contract.

Mr Cousens: Why isn't this built right into the legislation at an early stage so that it removes some concerns on the part of the hospitals as to—

Mr Sutherland: I also think you've got to remember the overall process. First of all, legal contracts are pretty binding and that's what's being—

Mr Cousens: The law is more binding.

Mr Sutherland: Yes, okay, but legal contracts entered into between two parties are binding before the courts, so if one party doesn't uphold them, then the other party has action through the courts. The other point of the matter is that it's—

Mr Cousens: I don't even like the thought of public bodies and USH ever having to think that they have to go to court.

Mr Sutherland: That's why we're having legally binding contracts.

Mr Cousens: But I prefer, and I don't know what world I'm living in, that if the law is going to—

Mr Sutherland: Maybe a cynical one.

Mr Cousens: Oh, never mind.

Mr Sutherland: You set yourself up.

Mr Hope: Would you like a response to that?

Mr Jim Wiseman (Durham West): Is that a rhetorical question?

Mr Cousens: No, I don't want the answer. I could hear it coming. If the law made it very clear at the beginning stages that this is the case, then it would remove the sense of doubt and concern that is coming from those who are going to be the partners.

Mr Sutherland: I suppose there would be some ability, if you wanted to, to put it in the law, but the courts have ruled on contractual law for a long time. I think it's pretty clear about contract law and how the courts rule on that type of thing. We'd be entering into legally binding contracts, whether it's hospitals or the other groups, to follow through.

Mr Cousens: I'll just come back to you that this doesn't thrill me, any feedback on—

Mr Ernst: That is our intention as well, to have that guarantee up front in the bill. Part of our concern is as a result of the fact that there has been no contract developed to date. We don't know what a contract looks like, yet there is an element of retroactivity to this bill; it goes back to April 1, 1993. Hospitals that have received grants to date, moneys that have been treated as grants, will now be told retroactively that this was not a grant, that it was a loan, and the terms of that loan will have to be arranged and negotiated with a third party. Our situation will be different today than it has been in the past in that we will be dealing with a third party, whereas in the past hospitals have dealt one on

one with the Ministry of Health. So I echo the comments Mr Cousens has raised.

Mr Arnott: Just a local question: We're talking about the Guelph redevelopment plan and you'll be very knowledgeable about that. I assume that the commitment from the previous Minister of Health for significant provincial expenditure towards hospital redevelopment will come under this new Bill 17.

Mr Ernst: Definitely. That redevelopment project has not started to see funds flow, nor has it had an amount finally approved, but an amount of approximately \$60 million was set aside for this, so it will exceed the \$1-million level.

Mr Arnott: You're here speaking on behalf of the Ontario Hospital Association, but I assume that the concerns you've expressed with respect to the uncertainty created by the new bill would be very strong within the city of Guelph and the hospital community there.

Mr Ernst: Yes, I think it's fair to say that as the Ontario Hospital Association speaks, its views are reflective of the members. As a hospital member, I can substantiate that.

Mr Sutherland: That was one of the points, actually, that I wanted to raise just in response to the presentation that had been made.

I also had just some question regarding your presentation. You said subsection 33(3) refers to payments in excess of \$1 million, but you said that it only applies through the end of the 1993-94 fiscal year. I was wondering what you were basing that on. The actual legislation has a start date of April 1, 1993, but in the legislation there's not an end date to indicate that it would be complete in 1993-94.

Mr Ernst: We were maybe making a literal interpretation, but the portion of the sentence I was referring to that relates to a loan starts, "that is charged to an appropriation of the Ministry of Health for the fiscal year commencing on the 1st day of April, 1993." Now, if that should say, "for the fiscal years, commencing on the 1st day of April, 1993," then we have moved into the future. But for the fiscal year commencing April 1, 1993, we're talking about a 12-month period, and that's our concern.

Mr Sutherland: Okay, fair enough in terms of that wording. It certainly wasn't the intent. The only intent there was that hospitals had been informed—not only hospitals, but other sector institutions—that grants for this year, once the legislation was through, would be converted into the loans for this fiscal year. That's why it was put as April 1, 1993. That's what the intent of that was. I'm not sure. If we need to clarify that by adding an "s" on, to add "years," then I think there probably would be some willingness to do that, if necessary.

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Mr Ernst: It would be helpful from our perspective certainly.

Mr Hans Daigeler (Nepean): Thank you very much for your presentation. I notice that at the end of your presentation you are saying, "The OHA appreciates the government's financial motivation for these proposed changes." I'm just wondering whether you could enlighten me as to what you see as the financial motivation that's driving the government to bring this in.

Mr Ernst: When this bill was first presented to the financial advisory committee—just to let you know, that committee is made up of approximately 10 members from various hospitals around the province, chief financial officers and chief executive officers. As we had discussions of this, our appreciation or our thought was that the government was looking to transfer its indebtedness out into universities, hospitals and municipalities and effectively position itself to appear to be as a province less in debt than it actually is. So it may be a financial and a political motivation as well. If someone does a credit rating for the—

Mr Daigeler: You have difficulties with that, don't you?

Mr Ernst: Speaking as an association or speaking as Richard Ernst?

Mr Daigeler: Both.

Mr Ernst: I would say yes on both accounts.

Mr Daigeler: Because you say here that you appreciate the government's financial motivation. I'm a little bit—

Mr Ernst: "Understand" might be the better verb.

Mr Daigeler: Okay. You see where they're coming from but you don't necessarily appreciate it.

Mr Ernst: Or agree with it, yes, that's true, but we understand what they're trying to do, and it's an issue of a significant sum of capital dollars that are being expended that apply to current funds versus deferment of those over a period of years, as also it's a credit issue. The indebtedness is now shown in hospitals which is lost in the province.

Mr Phillips: Just a follow-up on Mr Daigeler's comment. Let's be totally candid. The hospitals, schools, colleges, universities thing is, in my opinion, a fiscal scam. The government spends \$600 million a year on capital—hospitals, schools and colleges—and every year has to spend that just to refurbish it, and report it. This is designed to get that debt on your books, but the province to assume 100% of the responsibility. They will keep spending \$600 million a year and show an expense of \$30 million a year.

For about two or three years—I think the government hopes until after the election—people will think the books are getting better when in fact debt is going to

build up dramatically on your books, but with 100% of the obligation for the province and at the rate, in my opinion, of \$570 million a year. For the hospitals it's whatever your share of that is. So that's one disadvantage in doing this.

The second is it seems to me a more complicated process.

What are the benefits to the public in doing this? There have to be some significant offsetting benefits to the public in this approach to have, in my opinion, any merit at all, because I see this as a substantial distortion of the financial picture of the province, personally. Are there any advantages that you see here?

Mr Ernst: The only advantage I could see would be that as a province, we would be spending money we don't have, so we can afford thereby to do some of the capital projects that would otherwise be unaffordable. We're borrowing money, basically, to finance projects we're saying we can't afford to finance out of current revenues. But as you said, if the level of capital expenditures stays the same, it will reach a point where the payments to carry the debt will equal what we're currently paying annually for capital renovations.

Mr Phillips: And then we're back where we started, with another debt.

The Chair: Mr White had an intervention.

Mr Drummond White (Durham Centre): I just have one small question. I was very impressed with your knowledge of the legislation and the financing mechanisms, and I'm wondering if you would have had any contact with your sister association in Quebec or other provinces where this is the basic mechanism for plants.

Mr Ernst: Personally, no, but I would acknowledge that what is being proposed here is consistent with other provinces, so that's a fair observation, that this is not something that's new to Canada.

Mr White: I wasn't aware that there was a major problem between the hospitals in Quebec, for example, or Manitoba, and the provincial governments in regard to the financing.

Mr Ernst: I think that was our point today. If the financing structure, however it's done, is invisible to hospitals—

Mr White: Right.

Mr Ernst: Currently we receive grants, and what is being proposed is that we would have a loan and that we would receive a grant to repay the principle and interest. Ostensibly the whole bill would be invisible to hospitals. Then the relationship between hospitals and the province would, for all intents and purposes, not be changed.

The Chair: No further questions? Thank you very much for coming this morning and bringing your

concerns to our attention.

LABOURERS' PENSION FUND OF
CENTRAL AND EASTERN CANADA

LABOURERS' INTERNATIONAL UNION, LOCAL 506

The Chair: The final presentation of this morning comes from the Labourers' Pension Fund of Central and Eastern Canada and the Labourers' International Union, Local 506.

Mr Cousens: Double duty.

Mr Phillips: Your twin was here yesterday.

Interjection: Looks the same, sounds the same.

The Chair: Order. Gentlemen, you've been allocated a half-hour by the committee for your presentation. I think perhaps you know the ground rules.

Mr Peter Landry: I knew the ground rules. I used to sit on the other side. I appreciate the functioning of the committee.

My name is Peter Landry, as some of you may know already. With me today are Onorio D'Agostini, administrator of the Labourers' Pension Fund of Central and Eastern Canada, and Carmen Principato, a trustee with the fund and business manager of Labourers' International Union, Local 506 in Toronto.

What I'm about to say today is indeed similar to what you heard from the pipe trades yesterday. Again, we are not here to analyse the bill in detail, but to give members of all parties a message on behalf of the people we represent. So you'll have to pardon some of the same language I'm going to use. I don't think that's really the point. The point is that these unions are in very difficult situations and want to relay a message to you.

By way of background, the pension fund was established in 1973 and currently has 32,000 members. Local 506 represents approximately 8,000 workers in trades such as cement finishing, waterproofers, pre-cast erectors, welders and other construction technology occupations.

These are among the highly skilled men and women who literally built Ontario's highways, roads, high-rises, schools, hospitals, water and sewage systems and other parts of the public infrastructure that have led to this province having one of the world's best standards of living.

We in Ontario have indeed been fortunate in the past to have had a well-developed public infrastructure which has contributed enormously not only to the economic performance of our province but also to our environmental wellbeing.

The problem is that currently, along with the other workers in the construction sector—and you heard from some yesterday—we are facing very high levels of unemployment, levels as high as 60%, which have been with us now for a number of years. Many of these workers have exhausted their unemployment insurance

benefits and now are forced to claim welfare. They, along with their families, are certainly not enjoying the standard of living they rightfully deserve.

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Construction workers understand as well as anyone the impact of the recession. This is at a time when our investment in public infrastructure has not kept up with the province's needs or with the levels of investment by many other jurisdictions with which we compete; in other words, at a time when much construction work needs to be done. Our infrastructure is becoming quite old. The bulk of it has been around for 30 to 40 years. Much of it does not meet current safety and environmental standards, is inefficient and wasteful and is quickly deteriorating.

The lack of infrastructure development will clearly affect the economy and the quality of our environment. A specific example concerning members of the Labourers' union is the quality and quantity of roads and highways and of our water and sewage systems. If new investment is not made, it is clear that Ontario will not be able to pursue the economic growth to which we have become accustomed and to enjoy a safe, clean environment.

We note that one of the Ontario government's own publications, *Public Investment for Economic Renewal*, admits that over a quarter of the province's watermain and sewage pipes are over 50 years old and are therefore near the end of their useful operating life. It goes on to say that many of these watermain and sewage pipes are suffering from a high rate of breakdown. About a third of the province's pipes are between 25 and 50 years old which will lead to increased requirements for rehabilitation in the future. In addition, the publication reminds us that this infrastructure will not meet the rising environmental performance and safety standards of the future.

This same publication claims that over 60% of our highway network has poor or substandard pavement conditions and that about one quarter of our 3,000 bridges require repair and upgrading. This does not even include the much-needed Highway 407 development which we so anxiously await to relieve the traffic congestion across the top of Toronto.

All of this is happening when the government of Ontario's capacity to invest in infrastructure through tax dollars is diminishing as demonstrated by the fact that the infrastructure investment in Ontario is lagging behind the growth in the economy as a whole and thereby having the effect of making Ontario a less attractive place for companies to invest.

We must consider the impact of infrastructure development on the workforce. Unless Ontario moves to get on the leading edge of infrastructure development and retrofitting, workers will not have opportunities to be trained and gain experience in state-of-the-art equipment

and technologies. The need for a highly skilled workforce which formed the impetus for initiatives such as the Ontario Training and Adjustment Board will simply not be given a chance to be satisfied.

Without work, people who have invested an enormous amount of energy, time and effort to learn trades will leave the construction industry permanently. Many of them will not find new jobs. Young people considering careers will not look at construction as a viable option for long-term employment.

The solution: The construction industry has been devastated by the recession and there's no indication that there will be a quick reversal of the situation. The recession has forced labour, business and governments to rethink how we operate and challenges old assumptions and ways of doing business. Bill 17 provides an excellent example of this by providing new opportunities to achieve positive results, by forging new partnerships between the public and private sector.

This why the pension fund and Labourers' union view Bill 17 and its four crown corporations with optimism. We believe by creating crown corporations like the Ontario Clean Water Agency, the Ontario Realty Corp, the Ontario Transportation Capital Corp and the Ontario Financing Authority new sources of financial investment and ideas to fix the problems we have described can be found.

We know there is much construction work needed in Ontario. Perhaps we won't see the kind of building boom we saw during the 1980s, but there may be another boom possible in the redevelopment of Ontario's public systems that we described earlier.

We understand the importance of getting this work done soon from the perspective of the economy and the environment and, frankly, directly in terms of work for the people in the construction industry.

We know from our discussions with various industry leaders that even though these crown corporations have not been created, there is already interest in making private investments in public projects like the development of Highway 407 and the retrofitting of buildings and facilities to be managed by the clean water agency. They are serious because they believe the returns can be very positive. We have already seen evidence of public buildings saving on water and energy through the insulation of new systems with fast payback periods for dollars invested. Sometimes full return on investment can be seen in as short a time as three to five years.

Business also knows that investing in new infrastructure leads to new business opportunities, and for us that means jobs. In addition, we believe the kinds of initiatives that could result from Bill 17 represent real opportunities to keep Ontario at the leading edge of technology and in a position to be able to export our knowledge, equipment and techniques. Members of this

committee may not be aware that the Ontario construction workers have a worldwide reputation for innovation and quality. We cannot afford to lose that advantage.

The potential benefits of the bill include spinoffs beyond the interests of the workers in the construction sector we represent. The manufacturers who supply the equipment for the projects, the people who transport the products, the people involved in research and development, the engineers, the architects and so on will also gain enormously from the new investment in public infrastructure.

We have briefly outlined how we view the potential of Bill 17 as benefiting our economy, environment and jobs. We believe the government has a positive vested interest as well. By increasing its partnerships throughout the private sector, the government will be able to undertake projects more quickly than it has in the past. It will also realize real tax savings and be in a position to share in diminished investment risks with other more expert partners.

In conclusion, the Ontario construction industry has recently faced some of the toughest times in its history. Our workers are suffering rates of unemployment more usually associated with underdeveloped economies. This situation does not have to continue. We have before us a real chance to put our people back to work in a way that will benefit not only these workers but the quality of life of all Ontarians. We urge members of the committee not to delay passage of Bill 17. The crown corporations it will empower must get on with the job of renewing Ontario's infrastructure and create employment that we depend upon.

Thank you for your attention. We will be happy to answer any questions. I apologize that our message remains the same, but our message does remain the same.

Mr Sutherland: No need to apologize for that.

Mr White: Thank you, Mr D'Agostini, Mr Principato and Mr Landry. I come from a community where labourers are very active; I won't bother going through all their names. I'm struck that with the recession working people and businesses have been able to get together and say, "Look, we need this to happen in our community, we need this building, we need this kind of investment," and really substantively work together, come up with new projects, new dynamics such as you described, Mr Landry, with this bill.

Sometimes you have to repeat that message 4,000 or 5,000 times so people understand it. Businesses financing operations are willing to work together in ways that produce the product, get it on the table, in a sense, much more quickly. I'm wondering what your experience is in that regard in Toronto. Do you see people being eager to move forward to use the kind of mechanisms that will now be available for financing, to get the

product on the table?

Mr Landry: In fact we do. We do know, for example, that there are a number of companies that are very interested in the Highway 407 development. They're waiting at the starting gate, anxious to go on that. We also believe that you'll see some partnerships with labour on that and other projects, the partnerships governments always talk about where business and labour, with the third partner being the government, come together on projects like 407 and retrofitting to save energy.

The construction industry has in fact a long history of working with its contractors to a positive end. If you look at, for example, the training facilities that labour's unions have put together with the contractors, they're quite remarkable, despite what people talk about, labour-management tensions. I think the spirit is there and right now, with the added rate of unemployment, the spirit is more than anxious to get going.

Mr White: Thank you very much. Again, I caution you that you needn't be apologetic about having to repeat that same message. Obviously, as you can hear from the people who preceded you and from some of the comments opposite, that message has to come through time and again.

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Mrs Mathysen: I'm going to be hopefully complementing Mr White's question. Yesterday the Board of Trade of Metropolitan Toronto was here and said that while it supported new financing in terms of projects, it didn't believe that the private sector would be as ready and willing to contribute in a recession as it might have been a few years ago.

That I think flies in the face of some of the evidence that you've been presenting and clearly the need for upgrades, the fact that there's a ready and willing labour force out there and a genuine need. For example, I just received a news release that a hospital in my riding is going to do some energy conservation upgrades that will employ people in the riding and save them \$71,000 a year in water utility bills.

You mentioned Highway 407 in terms of there being ready and willing public money. What's your sense of other sectors? Is the Metro board of trade being perhaps a little pessimistic?

Mr Landry: I don't know if they're being pessimistic. All I know is that in the number of people we represent there is a fair level of interest in retrofitting, and I think in fact you're seeing almost a sector in itself coming together around this. There are companies that are specifically in the business of retrofitting public buildings like hospitals, and earning their profits off the energy savings. As soon as there's a profit to be made, people will be there with proposals.

I don't understand the logic. The numbers you gave

at the hospital in your riding is a clear example. There are substantial savings to be had here. Most of this infrastructure is ancient and is wasteful. That's why, when I hear some of the arguments about this is going to cost more and more, nothing can cost possibly more than the systems we have in place now that are wasting electricity, wasting water, breaking down constantly, causing snags on the 401 etc. That's what's going to cost us money.

Mrs Mathysen: So if we set aside this traditional and perhaps ridiculous posturing, we can make great gains in this province.

Mr Landry: I think that people, certainly the people we speak on behalf of in the construction industry, are just anxious to get going with stuff.

Mr Wiseman: I was interested in your presentation. I read the one that was made the other day on infrastructure and the need for restructuring of infrastructure and the rebuilding of it. I think, in terms of where you're focusing, that is a good place to focus because some studies being done on demographics clearly indicate that the kind of housing expansion that took place over the last five years from 1986 to 1990 is not going to happen again.

In fact, the demographics would clearly indicate that there will be an inward migration by the population towards maintenance apartments or condominiums or some kind of structure such as that, and since we can't afford subdivision building anyway, because it just leads to higher taxes for everybody, the reconstruction of sewers and roads and so on is going to be the main focus. For example, in Pickering they have \$50 million worth of road reconstruction that needs to be made and they don't have the money to do it.

I think that you and your organization are right to focus on that issue as the main area of jobs in the future because it's clearly not going to be in what has been traditional and we really have to rebuild this structure. I know of some towns in Ontario that are still using wooden pipes for water and sewer. Have you done any work in terms of analysing the demographics and what that could mean in terms of trends and where the thrust should be?

Mr Landry: We haven't done any work on demographics other than that we, like you, watch what's happening out there, and we realize that a lot of the development that drove our economy isn't going to happen any more. Again, as our brief pointed out, there remains a lot of work to be done. The demographics, our interest is just looking at the age of the stuff. I mean, you talk about wooden water pipes. It's hard to believe that a province that thinks of itself as being upfront and progressive would have this situation. So we don't have any studies to show the demographic information that you talked about, but I think it's fairly evident to everybody. Demographics of travelling in

Toronto: If you're a truck driver going across the 401, you don't need a demographic study to tell you something's wrong here.

Mr Phillips: I have a quick one. Maybe Mr Daigeler might have one. I wanted to comment on not delaying the bill, just to assure you that personally, you can check Hansard, back in December I called on the Premier in the Legislature to get the bill to us so we could deal with it expeditiously. You can see by the date on the bill it wasn't until May 17, almost six months later, that the bill was finally tabled. I was pushing on behalf of our party to see the legislation so we could deal with it in committee back in January, February or March, and if it had merit, to move on it earlier.

The second comment I make is that we are dealing with the bill this week. We'll deal with clause-by-clause. So there won't be any delay in dealing with the bill, and the government can introduce it when it wants to introduce it for third reading. I will, though, and you've been here, indicate that we see merit in the bill, but we have some real concerns with the bill—I think you heard the previous presentation by the Hospital Association—about what they're doing with the finances. We see, as I said earlier, merit in some of the construction. The 407 concept I think has merit; it's a creative way of raising money. The sewer and water one may have some merit. But we have some severe reservations about the hospital one which is encompassed in this bill. So I wanted to tell your group.

My son-in-law, by the way, is a unionized labourer. I'm not sure which local. He may be with your local. So I have some appreciation of the difficulty of finding work, personal understanding, and a lot of empathy with the group.

I guess my question to the group is, in terms of annual expenditures to refurbish the infrastructure of the province, has your group any advice for the Legislature? Right now the province is spending around \$4 billion a year. Is that adequate, totally inadequate? Any sense, any advice to us as people who see it first hand?

Mr Landry: It's hard to know whether \$4 billion is adequate; it's a big number. But I think, based on our observations of the state of much of our infrastructure, obviously we could do more. We could be taking advantage of new technologies to be more efficient. But we don't expect it to come from the tax dollars in that direct sense. That's why what is exciting about this initiative is that you actually can find investors who are willing to participate in the risk, which may, then, increase the amount of money that is going into public infrastructure, which is fine. That's the kind of thing that we'd like to see happen.

It's pretty hard for us, though, to make a judgement of what "adequate" is in terms of a system this size. I think what you'll see happening is that once these

agencies are up in place all sorts of interesting, unpredictable initiatives are going to spin out of it, and that's what we're hoping for.

Mr Daigeler: Again, thank you for your interest in trying to get the economy going again and get construction going. I think we're all agreed on that. You're saying that there's already interest in making investments in public projects like the development of Highway 407. I think we've seen that there has been some evidence reported on in the press. But then you go on to say also in "the retrofitting of buildings and the facilities to be managed by the clean water agency." Can you elaborate a little bit on that as to what those private interests might be? I haven't seen or heard anything.

Mr Landry: I can't elaborate on who the private interests are. I know that we have, as a firm, been approached by people who are interested in exploring this with the agency, people who are setting up the agencies. We're trying to arrange meetings. That is private money, and they're looking into how they can make investments that will benefit their companies and so on. I'm not free to say who that would be, but from our experiences a number of people are already expressing interest in this. The member, Ms Mathysen, talked about a specific example of why companies may be wanting to invest in infrastructure renewal. We are very confident, based on the people who have approached us, that there's going to be some action here, but I'm not at liberty to say who.

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Mr Daigeler: Why would that not be possible presently?

Mr Landry: Why isn't that possible to say who presently? Because people are exploring what they're going to do with their investment dollars, and until they've made a public commitment that's not for me to announce it for them. All I know is that we have been approached and a number of other people have been talking to governments to find out what's going on with these projects and, in fact, we know already there's construction out there. There are companies in this business who are making a living retrofitting, so—

Mr Daigeler: I must say I still am not clear. Obviously there are people who would like the job of doing the work.

Mr Landry: Yes.

Mr Daigeler: We're talking about investment dollars, people who would like to invest, I guess, in these projects and get a return for it.

Mr Landry: Exactly, because if you invest in retrofitting and the arrangement is that you share in the benefits of the retrofit—for example, if the water costs go substantially down and you, for investing in retrofitting that building, get a return on it. At some

point, it all returns to the crown and the building is then after a point operating more efficiently. But, obviously, if you're going to be investing in this, if you are a company in the business of doing this, you want a return. Those companies are very interested because they know the state of the system.

Mr Daigeler: What you're saying is that they would expect a cut in the energy savings, for example.

Mr Landry: Well, there are companies that do it now. I have a brother-in-law who's in this business in another part of the province and they make their profit off the savings on the water. They invest the upfront and make the profits for a certain period of time that's reasonable. After that point, then the public building, or whatever they're doing, they gain the benefit permanently. But that's what they do.

The Chair: Mr Cousens or Mr Arnott. Mr Arnott.

Mr Arnott: Thank you for your brief; it's a good brief. It repeats some of the things that have been brought forward to the committee over the course of the last couple of days, but it's a very good brief.

I'm just wondering what your membership is comprised of. Are most of your members involved in engineering and municipal construction or institutional construction, residential? What's the breakdown? Is it a mix of all three?

Mr Carmen Principato: Well, I think it's institutional. We have, I would say, 50% of commercial and residential at the present time. I think residential is today's—not the better, like commercial. Commercial is, as you know, the building—there is no more office building in the city of Toronto, or I would say in Ontario, and that's where the number will be with other local unions, not only the labourers of 506. Carpenters, electricians, plumbers, they all get fed off this recession today. That's what the number, we believe 50% is what we call commercial.

Mr Arnott: From the bill, I expect that the 407 project as a result of this new mechanism will be expedited, without question, but that's the only specific project the government has indicated will be expedited as a result of the bill, and I'm just wondering if the bill is going to benefit the people in the union to the extent that you hope. But you have every confidence that it will.

Mr Onorio D'Agostini: It would certainly benefit the pension fund because we cover all the sectors. Certainly, this fund will cover Ontario and, of course, the maritime provinces, but all the Labourers' unions in Ontario, they're participating in the Labourers' Pension Fund of Central and Eastern Canada, so it doesn't matter which sector is going to come up with work; we will benefit from it.

Mr Arnott: My next question is to the parliamentary assistant: Is there another specific project that you can

make reference to?

Mr Sutherland: Well, if we move to the previous presentation, and the question is: How much public infrastructure investment should we be doing at this time and how much can we sustain under the current mechanisms? We believe that these corporations give us a new financial instrument to allow us to sustain significant capital investment during these difficult economic times and particularly difficult times for government revenue. So besides the Highway 407 project, water and sewer projects may be done quicker and sooner than they would have been done, because the money wouldn't be there otherwise. The USH sector construction projects, again, may be able to be done now, where they may have to wait four or five years until additional funds come in. So there is more than just the Highway 407 project, and more projects will come on stream much sooner as a result of these mechanisms than the traditional ones.

Mr Arnott: That's what you anticipate.

Mr Sutherland: Yes.

Mr Mammoliti: Are you sceptical there, Ted?

The Chair: Order. Go ahead, Mr Principato.

Mr Principato: I think you just touched a good point. The water treatment plant which—as you know, we've got 60% of our members out of work, not only the labourers and the carpenters who have the same situation as us. Like you said, maybe that's one field we can look at right now and rebuild the sewage plant, rebuild the water treatment plant today. This will assist us.

That's a lot of concrete work, a lot of cement work, all kinds of electricians. Name it; we could be there. That's the important thing for us today. If we can put 400 or 500 members back to work, that helps, because the revenue coming in, the pension fund which is involved in this structure now, money goes into it because of the pension and so forth. This is the important thing that we really ask you people today to consider. This is very important and crucial to us today.

The Chair: No further questions? Thank you, gentlemen, for coming. We appreciate it. You bring a human face to this debate. We appreciate that very much.

For committee members' information—

Mr Hope: Don, did you hear what he just said about you? You're a non-human face over there.

Mr Cousens: It had to come at some point.

Mr Arnott: That was a rhetorical question.

Mr Cousens: That's the answer to it.

The Chair: Order. The committee, of course, will not be sitting this afternoon, in order to give members an opportunity to consider the testimony that has been presented to us and to draft any amendments they may

see fit. The committee would appreciate any amendments that any of the members or parties have and would appreciate it, if possible, to have those amendments tomorrow morning so that we may all consider them. Of course, members always have the ability to make amendments as they see something that piques their particular interest.

I'm waiting for one moment. I'm told that the ministry is on its way down with information that members have asked for. As you recall, a number of members have asked for specific information, and the ministry is busily trying to get here with the appropriate documents so that you'll have those to study this afternoon.

Mr Phillips: Just while we're awaiting that, the parliamentary assistant indicated that a schedule 4 agency is very different than workers' compensation. I look at the Ontario government agencies accountability framework for schedule 3 and schedule 4 agencies. Schedule 3 is what WCB is, I gather, and schedule 4 is what we're talking about here. Under "accountability," as closely as I can read it, the accountability is word for word in schedule 3 and schedule 4. I can't see a different word.

They both say: "Legislation sets out mandate, memorandum of understanding documents, expectations and reporting requirements. The Provincial Auditor may review operations, subject to review by the public accounts committee and legislative committees on agencies, boards and commissions. All schedule 4 agencies"—the other one says "all schedule 3 agencies"—"must develop a three- to five-year corporate plan. These plans set out strategic direction, performance criteria, major expenditures and commitments, the final requirements to be approved by treasury board, a crown agency to be stated in legislation."

The board composition is identical. I can't find any wording difference between a schedule 3 and a schedule 4 agency, and that's why I continue to say that as far as I can determine, these are similar to, if not the same as, the workers' compensation.

Mr Sutherland: If I could just respond, I'd have to check for sure. I thought you had indicated earlier regarding schedule 2 agencies versus schedule 4, not the schedule 3, in terms of Ontario—

Mr Phillips: That's the WCB, and the WCB, I'm told, is a schedule 3 agency.

Mr Sutherland: I thought it was a 2. I know Ontario Hydro is a schedule 2. In terms of the differences I was trying to talk about earlier, whether they're a 2 or a 3 in terms of the accountability framework sheet you have before you, I understand they are very similar. There is a little different mandate in terms of particular schedule 2s. Hydro and the compensation board can be policymaking organizations setting their

own polices. The schedule 4 agencies tend to be more primarily service delivery operations and don't have as strong a policymaking framework. There's accountability there.

The other degree of accountability is, as I've reiterated several times, the minister's ability to issue directives that the schedule 4 agencies—both with the other piece of legislation, OTAB, schedule 4, and under the legislation here they can issue directives which the corporations must follow. My understanding is that with the others, particularly schedule 2s or 3s, the same obligation is not there in terms of the overall pieces of legislation that the minister can issue directives under. My understanding is that they can follow them or take them under advisement as the agencies see fit.

I think there are some differences. They may not be totally explained in the document you're looking at. In the copy I have in front of me, they do indicate that there are similarities between them, but I think there are some differences.

Mr Phillips: Do you have a different document than I have?

Mr Sutherland: No, I'm just looking at the same document you are. But in terms of when you look at the actual legislation and you look at the accountability frameworks put in here, and also in terms of the other

schedule 4 agency, the training and adjustment board, which, I believe, you were involved with in the hearings, along with myself, we had some of these similar discussions about the accountability. We talked about some of the differences in that piece of legislation versus the comparisons to other agencies such as Hydro and workers' compensation in explaining the differences in accountabilities.

Mr Phillips: I just go by what the government publishes here, and they look identical.

The Chair: If there's not further business before the committee, I would note that the ministry has supplied us with responses to the questions that have been asked. I'm sure members will be very interested in those.

Mr Sutherland: Could I just elaborate? There are two questions that aren't involved in this package. There aren't responses there, but they are going to be provided tomorrow morning.

Mr Phillips: Could I ask, on the five-year plans on the—yes, that's good.

Mr Sutherland: Okay?

The Chair: Thank you. Anything further? If not, we'll see everyone tomorrow morning at 10 o'clock sharp in this room to commence the clause-by-clause.

The committee adjourned at 1144.

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***White, Drummond** (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Cousens, W. Donald (Markham PC) for Mr David Johnson

Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

Mathysen, Irene (Middlesex ND) for Mr Fletcher

Phillips, Gerry (Scarborough-Agincourt L) for Mr Sorbara

Sutherland, Kimble (Oxford ND) for Mr Wessenger

Wiseman, Jim (Durham West/-Ouest ND) for Mr Morrow

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Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Third Intercession, 35th Parliament

Assemblée législative de l'Ontario

Troisième intersession, 35^e législature

Official Report of Debates (Hansard)

Thursday 19 August 1993

Journal des débats (Hansard)

Jeudi 19 août 1993

Standing committee on
general government

Comité permanent des
affaires gouvernementales

Capital Investment Plan Act, 1993

Loi de 1993 sur le plan
d'investissement

Chair: Michael A. Brown
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 19 August 1993

The committee met at 1007 in the Humber Room, Macdonald Block.

CAPITAL INVESTMENT PLAN ACT, 1993

LOI DE 1993 SUR LE PLAN D'INVESTISSEMENT

Consideration of Bill 17, An Act to provide for the Capital Investment Plan of the Government of Ontario and for certain other matters related to financial administration / Loi prévoyant le plan d'investissement du gouvernement de l'Ontario et concernant d'autres questions relatives à l'administration financière.

The Chair (Mr Michael A. Brown): The committee will come to order. The purpose of the committee, of course, this morning is to deal with the clause-by-clause consideration of Bill 17.

Before I do that, I would like to bring members' attention to a number of documents that have been circulated. The first and foremost is really a scheduling document for the two weeks that this committee will be dealing with Bill 40. All members should have that in their possession. You will take note that the beginning time is Monday at 1 pm.

All presenters, anyone who has wished to make a presentation on this bill, have been accommodated on the list. If there are any difficulties that members see, I would ask that they have a look at the proposed schedule and let the clerk or the Chair know at the earliest possible moment, but I do not foresee any great problem with this. But if you do, let me know.

The second thing I think we should have a look at is we do have the summary of recommendations and we'd like to thank the research service for providing that to us, in particular our researcher, Anne Anderson. Members have that, and it will be useful as we go through.

Further to that, we also have a document from research. As you know, there was a question regarding schedule 3 and schedule 4 agencies of the government, and I'm hopeful that this document can clarify that in the minds of members.

I would ask members also, if they do have any amendments that the Chair and the clerk do not presently have, it would be appreciated if we can photocopy them. I think all three caucuses have now provided us with at least their preliminary set of documents.

Mr George Mammoliti (Yorkview): Mr Chair, do we need to move a motion for this agenda, or no?

The Chair: No, that's not necessary. It follows the subcommittee's instructions as much as we can. It's really for information, so that's fine.

Mr Kimble Sutherland (Oxford): Just before we

begin, there are two other documents that we'd like to table anyway. One is a change from the document yesterday about the water and sewage plants. The title of that document had indicated plants "owned" by the Ministry of Environment and Energy, and the plants are not owned, they are operated by the Ministry of Environment and Energy. I think some of our municipal friends who own those plants might be upset about that.

Just as a further comment to the discussion yesterday about schedule 3 and 4 agencies, Mr Phillips was correct that the Workers' Compensation Board is a schedule 3 agency. But I'd also like to just table a document here that outlines the differences in what is occurring with the capital investment plan, capital corporations and the Workers' Compensation Board. It outlines in chart form some of the differences in accountability provisions.

The Chair: Do members have a copy of that?

Mr Sutherland: No, they don't. So I'll table that with you and get that distributed.

The Chair: All right. I'll take it those are being distributed at this moment.

Mr Sutherland: Right, thank you.

Mr Drummond White (Durham Centre): I'd just like to make a small point in regard to the proposed agenda in front of us for consideration of Bill 40. I believe that on Monday afternoon I will be representing the ministry rather than the minister, and that a letter to that effect should be brought to the committee this afternoon. That's basically what happened in provincial Parliament in the last week of the session.

I could also mention that I believe that the government statement should be reasonably concise. Members should be able to look forward to a reasonably brief meeting on Monday afternoon, from our standpoint at least.

The Chair: The committee will take note that the parliamentary assistant will be representing the minister on Monday. I would suggest the 2 pm start time for the briefing by the ministry officials. Mr White, you might be able to inform them that they will be able to commence, not necessarily at 2 o'clock, but if in fact we are ready for them before that, I hope that they will be in a position to start their presentations.

Mr White: I am sure they will have taken note.

The Chair: Thank you. Mr Sutherland.

Mr Sutherland: I have one more document to table. This is in response to a question from Mr Cousens. He was asking what information relating to the capital

corporations will be in the estimates. There is a detailed response here as to what that information is. We are still waiting; I believe there is one more request for information from a question from Mr Phillips that we're hoping will be here shortly to distribute to members.

Mr Gerry Phillips (Scarborough-Agincourt): I just want to comment on the material handed out today.

Firstly, I'd say that the government is moving very quickly to establish a number of schedule 4 agencies. This will get eight of them established in a matter of about 12 months or so. The president of OPSEU, I think, summarized it pretty well in a public document. He said, "Listen, the purpose of the schedule 4 agencies is to get spending and head count off the books." That's his view, and as opposition and as the public, I think that is one of the clear motivations of it.

Secondly, I still haven't seen where there are any substantive differences between the way WCB's accountability occurs and the way schedule 4 agency accountability occurs. In fact, I'll repeat what I said yesterday and that is, it is literally word for word how a schedule 3 agency is accountable, a schedule 4 agency is accountable.

The reason I raise this is that this bill is going to go ahead, it's going to pass, and we then in the future will hear, "Well, the reason why that road isn't being built is that was a decision made by an independent, arm's-length schedule 4 agency that made that decision and it has the authority to make those decisions," or "The reason why the toll is set at that rate is that the bill provides them with the authority to set that toll," or "The reason why your water rates went up is that there is an independent agency in this province that has the legislative authority to make that decision, and you surely don't expect me, as the minister, to interfere in those day-to-day operations." That's what we hear about WCB.

I want to make sure we all know exactly what we're agreeing to, because if we think the Legislature will in the future have the authority, as I read the act, to agree to the toll rates or agree to the rates—any public body has the authority to do that—I don't think it's in the legislation and, as I say, I think we should all understand what we are getting into here and, therefore, the kinds of opportunity the public will have to question and to be a part of those decisions.

That's the only purpose of me raising it yesterday, and in fact one of the objectives of these schedule 4 agencies is to give them the independence. So we can't kind of suck and blow. If that's the objective of the bill, as I read it, then we should all realize that in the future, as I read the bill, they will set the tolls. They will set the rates that they will charge for their process into the water. As I say, they're now an arm's-length, independent agency with that authority to do that.

Mr Sutherland: If I can just respond to that comment, actually you're quite correct that they'll be able to set the toll, but cabinet will still retain the authority to set the policy framework on how the toll will be established. There is still accountability there.

The exact amount of the toll, sure, will be determined, but there will be guidelines and a policy decision made by the government in terms of what the criteria would be for establishing the toll.

Mr Phillips: Just to help me a little bit, how would that differ from the Workers' Compensation Board having the right, for example, to set the rates they charge employers for coverage?

Mr Sutherland: I guess again we come back to the point that we tried to make yesterday in terms of the fact that in these cases of these corporations, the government is still retaining the policymaking decision authority in most of them and that these primarily are the service corporations for carrying out those policies, whereas the Workers' Compensation Board has the ability to establish its own policies and then carry them out as well.

1020

Mr Phillips: I think we should recognize that we're creating an independent agency, and let's not mince words about it. If we want to do that, let's realize that, as I say, they will have authority similar to the Workers' Compensation Board. That's supposedly the merit of this thing. In fact, if you read much of the background material on it, it believes it will be able to proceed more expeditiously than if this were a public body.

Mr Sutherland: Once more, if I could respond to that, let me say again that yes, the establishment of these corporations provides us with more flexibility in terms of how we can actually carry out capital investments, but the policy behind those capital investments, or behind the strategies that the corporations are carrying out, will still be in the hands of the government, the cabinet, and I guess in that respect, the accountability mechanisms of the Legislature and cabinet's accountability to the Legislature. That is a very distinct difference than how the Workers' Compensation Board operates.

Mr Phillips: I just choose to disagree, but that's—

Mr Sutherland: Fair enough.

The Chair: Are there further questions and comments regarding the material that has just been presented to the committee?

Mr Mammoliti: To Mr Phillips as well: My colleague Mr Sutherland talked about accountability and flexibility. I believe that's important in the province for a number of reasons. Setting up these agencies, for me anyway, isn't that bad, and I think I speak for my constituents as well when I say that if this means jobs

and if this means a more expedited decision-making process for things like jobs at times like this, then I don't have a problem with it.

I take great exception when a member continually criticizes us and accuses us of smoke and mirrors, and all the things he has said over the last little while about these agencies, especially when time after time we've heard from deputants, from witnesses, that this is a good thing, and if jobs are created from it, then that's what we need right now, and if it's going to expedite it, then that's what we need right now.

I can't understand the logic. On the one hand the member talks about how he would vote in favour of this in the Legislature and how he likes the concept, and on the other hand he's being very negative. I needed to put that on record because I can't understand why Mr Phillips is doing that.

Mr Phillips: If I may respond before we get into clause-by-clause, firstly, let's not mince any words. The province spends \$600 million a year on school and hospital capital—every single year. It's going to hide it. This has no public merit, what's happening there. What we will now show is a \$30-million-a-year expenditure and spend \$600 million a year, and the public in the future is—we're adding enormous debt. I'm just saying, listen, let's be honest with ourselves. I think the auditor was very helpful to us the other day when he was here, saying, "Let's disclose that so we don't kid ourselves."

I'm just repeating what Fred Upshaw said in a letter. He said the reason the schedule 4 agencies are being established is to hide spending and to hide head count. That's exactly what he said in a public document.

Mr Sutherland: No, that's not the case, though.

Mr Phillips: I'm sorry, but that's what the president of the Ontario Public Service Employees Union said, who presumably understands this material, who presumably has been involved in it.

Mr Mammoliti: Mr Chair—

The Chair: Order. One member at a time.

Mr Phillips: I'm repeating what the president of OPSEU said. You may say he's wrong, and I understand you can say he's wrong. I'm just saying that's what he said.

The auditor, I think, was very helpful to us the other day in saying that here we are and what we're going to do now is that we're going to take our jails, our correctional institutions, the Metropolitan Toronto East Detention Centre, and we're going to "sell it." So who are we selling it to? We're selling it to ourselves. We're going to show \$250 million worth of revenue to the province and then we're going to lease it back. We're going to take our courthouses and we're going to sell those, and then we're going to lease them back. What does that do? It shows \$250 million worth of revenue that is a mere paper transaction, and then we take on

brand-new lease costs that the public will have to pay in the future.

I'm saying it's like many of the government bills: There is certain merit in them, so the opposition is put in the position where either you say all right—the merit of these bills is that yes, we can get on and build the highway faster, and I think that's a good idea, and yes, I think we can improve the water system in the province and yes, that is a good idea. But in behind it are some things that we find quite negative and quite offensive.

The member is offended that we raised these in the public interest: my apologies, but I'll continue to do that because there is behind the merits of the bill, some substantial distortions of the financial picture. As a matter of fact, as I say, the auditor, I thought, was very helpful to the committee. I see that both the Conservative amendments and our amendments attempt to address that, and hopefully will improve it.

I'll just say to the government members that some day, when you're looking at the finances of the province, you'll be able to look and say: "Holy God, we did that? We ran up a new debt on school boards' books?" There's only one person responsible, the provincial government, that it's on somebody else's books. That, to me, is not a proper arraying of the public's finances. If the public isn't given the proper arraying of its finances, then it's far more difficult for them to deal with it.

Mr W. Donald Cousens (Markham): Time to get on with the clause-by-clause.

The Chair: Thank you, Mr Cousens. Is there any further discussion on the papers that have been circulated? Then we'll take Mr Cousens's suggestion.

Mr Cousens: It's the only one of the day.

Interjections.

The Chair: I see before me, as I look at the motions, that there are no amendments proposed before section 13, so I'm going to ask the broad question, if that's possible and the committee agrees, are there questions and comments or amendments to sections 1 through 12? I'll give members a moment to have a look at those.

Mr Phillips: I don't know how the committee had planned to deal with this. Because I didn't have a chance earlier, could someone explain the merits of having the Ministry of Environment and Energy responsible for the Ontario Clean Water Agency as opposed to, for example, the Ministry of Municipal Affairs? The reason I raise that is that the testimony over the last couple of days suggests that the Ministry of the Environment—

The Chair: Excuse me, Mr Phillips, which section?

Mr Phillips: I'm on subsection 3(3). The reason I raised it is because of the testimony over the last few days that in some respects the Ministry of Environment

could put itself in a position of conflict in that it presumably is responsible for monitoring clean water but also for providing it.

Mr Sutherland: If I could just respond, first of all, I guess you would look at the current situation and, as we pointed out, there are many plants that the Ministry of Environment is already operating. While it is called the clean water agency, it's dealing with the issue of water and sewage. There are tremendous responsibilities from the Ministry of Environment and Energy for both those issues and not in all cases will they be—at any rate, the ministry has a responsibility for environmental issues. Water and sewage certainly come under that. They already operate plants and they also are already responsible for enforcement.

Mr Phillips: I think, frankly, there's an equal argument to be made for it to go somewhere else, but it's not that crucial.

1030

The Chair: Are there further questions, comments or amendments on sections 1 through 12?

If not, shall sections 1 through 12, inclusive, carry? Carried.

Section 13: I see a government amendment, I see a Liberal amendment and I also see a Conservative amendment, and unless my eyes deceive me, they are similar. Would the parliamentary assistant move the amendment to section 13.

Mr Sutherland: I move that section 13 of the bill be struck out and the following substituted:

"Audit

"13(1) The Provincial Auditor is the auditor of a corporation.

"Same

"(2) The Provincial Auditor or another auditor appointed by the Lieutenant Governor in Council shall be the auditor of the subsidiary corporations of a corporation.

The Chair: Would you like to make a brief explanation of the reason for the amendment?

Mr Sutherland: I think it is one of the amendments the auditor requested. I think everyone, by the fact that all three parties have put it forward, sees the merit in it.

Mr Cousens: Is there any explanation on the part of the government why it would have written it the way it did in the first place? It seems to me as if it's almost an affront to the auditor's involvement and the processes at the public accounts committee, and also a failure on the part of the government to understand the importance of working closely with the auditor. It would have appeared to me that it was almost trying to make a message that you wanted to do things differently.

What happens with this kind of improperly or poorly worded draft that comes out for first reading is that it

causes people concerns that maybe they shouldn't have had in the first place. To what extent was this on the government agenda? To what extent was it a mistake? Maybe you could comment on that.

Mr Sutherland: Let me just say that I think the fact we've also come forward with the amendment shows that we are willing to work with the auditor. Ms Stewart will respond to how the original draft came forward.

Mrs Barbara Stewart: The thinking at the time was very much that at this juncture and until we see some of the partnerships that can be and will be put together between the public and private sectors, which is very much at the heart of these corporations, it was difficult to determine exactly what some subsidiaries would look like, how they would be composed etc.

While the intent was very much that an auditor would be appointed for any subsidiary—there's no question to the merits of having those corporations and subsidiaries audited—it was purely a question of time about how the subsidiaries would be composed and what the private sector partnership would look like. The intent would be that when subsidiaries came forward for treasury board, for government approval, as they need to in accordance with the bill, the choice of auditor would be made at that time.

Mr Cousens: In comment, I only say that it's the kind of move that isn't advisable. I think there are lessons learned out of these processes. I accept your comments but I also—having been on public accounts for a long time; I think other members of this committee have as well—really want to see the proper involvement of the whole audit process which is more—and as the auditor said it very well the other day, it's not just an annual audit; it's the overview that they have on the way things run and also the intent to make things run better.

The audit has so many more things to it. People who are uninformed about that office really don't fully understand. Therefore, it's one of those lessons I guess that—it is one of the values of the committee that this change is made, so I support it.

The Chair: Are there further questions or comments regarding Mr Sutherland's amendment to section 13?

If not, shall Mr Sutherland's amendment to section 13 carry? Carried.

Mr Phillips and, I guess, Mr Cousens again have the same or very similar amendment. I haven't read it word for word but it looks mostly the same.

Mr Phillips, would you like to move your amendment to section 13.1?

Mr Phillips: Yes, I'll move amendment 13.1, Mr Chair.

The Chair: You have to read it into the record, Mr Phillips.

Mr Phillips: Oh, I'm new at this.

I move that the bill be amended by adding the following section:

"Books of account

"13.1(1) A corporation and its subsidiary corporations shall cause to be kept books of account and records in relation to those books.

"Management controls

"(2) A corporation shall cause to be maintained in respect of itself and its subsidiary corporations,

"(a) financial and management control systems;

"(b) financial and management information systems;

"(c) appropriate management practices.

"Object of controls

"(3) The books, records, systems and practices referred to in subsections (1) and (2) shall be maintained so as to provide reasonable assurance that,

"(a) corporate assets are safeguarded and controlled;

"(b) corporate transactions comply with the bylaws and this act and, in the case of a subsidiary corporation, with any document by or in accordance with which it is established;

"(c) corporate financial, human and physical resources are managed economically and efficiently and corporate affairs are conducted effectively.

"Internal audit

"(4) A corporation and its subsidiary corporations shall conduct internal audits to assess compliance with the requirements of subsections (1), (2) and (3)."

The Chair: Mr Phillips, do you have an explanation for the reason for moving the amendment?

Mr Phillips: I think we all appreciate what we're doing here, and that is, we're taking some enormous areas of responsibility out of the spotlight of the consolidated revenue fund and out of the estimates process and moving them into these arm's-length agencies. For example, one of them is going to be responsible for managing \$80 billion worth of debt. I think we all understand the enormous magnitude of that.

I think anybody who's looked at the way the province keeps its books would say that Ontario's books are probably the least informative of any government now in the country, and certainly versus any private sector company are not particularly informative. I do not blame the NDP for that. They are following accounting rules that are legally permissible. But in terms of helping the public to come to grips with what the state of the province's numbers is, they're less than helpful.

The auditor, I think, gave us good advice the other day of how we can begin to take steps towards that. I think the response can be, "Let's do it all as a package," but (a) that takes time, and (b) we are dealing with legislation now where we can incorporate some relative-

ly straightforward recommendations from the auditor now. As I say, these four corporations are going to manage what will be \$100 billion worth of debt very quickly, incredible sums of money, and I think this proposal, as the auditor points out—he went over the reasons for his proposal, which I support, and, most importantly, provides legislators with an ability to assess the performance of management which a memorandum of understanding would not provide, and that's true. So for those reasons we'd move the motion.

Mr Cousens: It's an excellent motion that Mr Phillips has read into the record. It's seldom that I've seen the Liberal Finance critic do such a superb job of drafting a motion and presenting it so well.

Mr Phillips: Thank you.

Mr Randy R. Hope (Chatham-Kent): Did you copy it off of Don's?

Mrs Irene Mathysen (Middlesex): You dictated it.

Mr Hope: Who did you copy from?

Mr Cousens: I don't know whether I copied his or he copied mine.

Mr Sutherland: Keep on going: You both copied.

Mr Cousens: No, I think if you can't have—

Mr Hans Daigeler (Nepean): We all have the same adviser.

Mr Cousens: Yes, we all have the same—

The Chair: Order. Mr Cousens is trying to make a very succinct and important point.

Mr Cousens: In fact, I've almost made it. But I wanted, first of all, to begin by congratulating the Liberals for the progress that they've made.

Mr Hope: Let Hansard show that.

Mr Cousens: It's on the record. It's there in the books now and it's going to be read back during the election campaign.

Again, Gerry has explained it very well. A memorandum of agreement has a certain strength and purpose to it. I have a sense as well that these new corporations, when they are established, with the management that is coming into modern business, hopefully the same kinds of rules will apply in government. But you really want to bring some of the practical measurement tactics to bear so that we start accounting for our actions and we start presenting that information in a way which is understandable and that it goes beyond necessarily the traditional way business has been conducted in the province of Ontario.

It is a new form of business. It is a new experiment. So why not, at the very beginning, establish fundamental guidelines that will necessitate the establishment of rules and procedures and methodologies that will ensure an openness and a frankness and public statements on their activities?

1040

I see these amendments, this being one, as being of a number that force accountability and in some way bring in part back to the Legislature the assurance that these agencies will be more than aboveboard. They'll always be aboveboard, and I'm satisfied that, when the auditor has his purview, that will be the case.

Mr Phillips's motion does say it well. The control systems for financial and management control, management information systems, appropriate management practices: I'm satisfied they'll be done, but let's be sure they're done. Our job ends in some respects with the legislation after it receives third reading. We won't have a chance to touch this until the government of the day brings it forward again for future consideration.

So therefore I see value on the part of the taxpayer and the public at large that we bring in those management controls, that we bring in the object of controls, and that again forces certain actions to be done that will give us reasonable assurance that the assets are safeguarded and controlled.

Finally, the internal audit: It's also a part of that ongoing review of your actions. The Human Rights Commission is a classic case of one of the Ontario government's institutions that has not gone well, and until recently some of the very things that we're talking about in this motion have not been in practice. So what you've seen is an organization that's like a ship without a rudder: It's gone all over the lake and hasn't really reached its destination. We are hoping now, if you bring in and support Mr Phillips's motion, that you will not be the rudderless ship that you could be. So I support the motion and am pleased to support what Mr Phillips has also said. I think he said it very well.

Mr Sutherland: First of all, I think we should be careful to not compare apples and oranges. In terms of Mr Cousens making reference to the Human Rights Commission, the Human Rights Commission's mandate, function, operation is significantly different than what is going on with these corporations.

Mr Cousens: But the methodologies, the management, the lack of it—

The Chair: Order.

Mr Sutherland: No, it is significantly different. First of all, let me say that I don't think in this day and age there's much use in setting up a corporation if it's not going to be using these principles here as its main principles for operating. I think any corporation, whether it's public sector, private sector, would want to use these guidelines here.

We have indicated to the auditor, and the ministry and the government have indicated to the auditor, that the types of requests that they've asked for here will be in the memorandum of understanding between the government and the corporations. Those memorandums

of understanding are not secret documents. People can ask for them, see them, request them.

There are all kinds of other accountabilities on here in terms of, as we've mentioned earlier, the agencies, boards and commissions committee has the right to look at corporations; public accounts committee, questions there. There's even question period where people can ask questions of the appropriate ministers and the Minister of Finance, so there's a whole host of ways in which accountability can be brought.

So to say that once this legislation is done we're not going to have another chance to scrutinize the activities of the corporations, that's simply not the case. I think Mr Cousens knows, as an experienced legislator here, that there are all kinds of ways to scrutinize the activities, to have accountability.

I will come back again to the comments I've said earlier, that the minister has the ability to issue specific directives. There is obligation among the board to implement those directives, not to just take them under advice but that those directives must be implemented.

There are a whole host of accountability mechanisms that are in place, and we believe that doing this process through a memorandum of understanding—I again want to repeat, memorandums of understanding are not secret documents. They are accessible, and through that fact people can see and examine the accountability.

There are very strong accountability principles behind the legislation and also in terms of how the actual corporations are going to operate, both with their financial controls, their management systems, practices, human resource practices etc. We believe that the memorandum of understanding is a strong enough accountability link and that there are still many ways for the Legislature to scrutinize and hold the actions of the corporations accountable.

Mr Cousens: I don't accept the premise the government is operating under. I'm satisfied that there are significant parallels between the Human Rights Commission, as an institution that is set up by the government to perform a service, and the methodologies that have not appeared therein: the lack of accountability, the lack of management controls and object of controls, the lack of internal audits, and as the commissioner changes so do the guidelines within that organization change.

Therefore, the Legislative Assembly has lost a tremendous amount of respect for an institution, that one in particular—and I'll go to others. We have many examples in which the government trusts the system to work perfectly through these memoranda. As Legislative Assembly representatives, the authority that we have continues to be undermined and goes to bureaucrats and civil servants.

What we're seeing here in this kind of amendment is

where we in the House have made certain determinations as to what should be part and parcel of these agencies, and see these as important criteria for their organization and management practices. It gives us a chance to be able to say we know that it is going to be done in a certain way rather than by the guidelines that are established through certain memoranda, because we don't have necessarily the insight as to what your memorandum of agreement is going to contain anyway.

If you could say to us with some certainty—and I don't think you can—will your memoranda of agreement contain all the points that we've talked about in this amendment? Maybe that would be a simple starting point of more dialogue, but my point, first of all, is that the Human Rights Commission, the Interim Waste Authority and many other types of government agencies and commissions have not had the kind of management practice that we're talking about with this motion. It therefore becomes very important to, I guess, the Liberals and ourselves—inasmuch as this is Mr Phillips's excellent motion—that this kind of thinking be imposed upon the agencies.

So may I ask you specifically, since you refer to the memorandum of understanding, will it contain all these points that are referenced in the section 13.1 amendment?

1050

Mr Sutherland: That is the intent. That intent was, I believe, given to the auditor, both verbally and in writing, in terms that it would be part of the memorandum of understanding, which is just to state an agreement between the minister and the chair of the board of the exact corporation.

I do just want to come back again and say that I still think when you're looking at mandates and missions of the Human Rights Commission versus these corporations, you are really comparing apples and oranges. I will only also state that we're constantly reminded, Mr Cousens, about how wonderfully things were managed here for 42 years. The Human Rights Commission was set up in the time of your government and many of the other corporations that we hear complaints about today were set up, the type of practices were established.

We've tried to develop a new way of using schedule 4 agencies by having greater accountability. I know Mr Phillips doesn't see a lot of differences, but we believe schedule 4 agencies and the type of accountability mechanisms, in terms of ministers being able to issue directives and corporations having to implement those directives from the ministers, is a far greater accountability than we've seen with some of the other corporations under different schedules.

Mr Cousens: If you're prepared to put this in a memorandum of agreement, why won't you be prepared to put the same into legislation?

Mr Sutherland: As we've stated earlier and as we stated in response, the auditor is working with several deputy ministers responsible for the corporations and operations to develop a legislative accountability framework. That was the mandate given to the auditor from the public accounts committee, to work to develop that. That process is occurring.

We don't believe that we should pre-empt that process by going to one specific piece of legislation and saying, "This is what the legislative accountability framework process is going to be." There's a process of goodwill on both sides, I believe, to come to a common understanding. We believe that by putting it in the legislation, you're pre-empting that.

The other thing to remember is, of course, that whatever the final outcome of that legislative accountability framework is between the auditor and the government, that will still apply to these corporations. Whatever they finally agree upon will still apply to these corporations afterwards, but we believe we'd be pre-empting that process of developing that framework. Basically, we believe, if you put it into this piece of legislation, what are you saying? That's going to be framework, while there are still discussions going on?

Mr Cousens: I'm saying it would be and I think that if there is nothing within this amendment that specifically bothers you or the government, it just boggles my mind that you're not prepared to accept such basic criteria for good management practices to be part of the bill and to be the way in which these agencies will be conducting their business.

You can't suck and blow, and I think that's what you're doing as a government. When you say the intention may be respected, I have no way of knowing whether or not it will. By virtue of the fact that you are not the minister and that things happen between what is said in a committee and what is finally brought down, and no one's there to supervise it to see that it happens, it therefore becomes all the more important that these kinds of guidelines be brought in early on.

I haven't seen you or anyone on your staff disagree with the points and it therefore, I think, behooves you to show some sense that you really mean what you say and allow it then to become part of the bill. I make the point. It's obvious where the government's going to go. It disappoints me greatly. I think there is a chance to start moving ahead. It's obvious that it's becoming more and more difficult to run government like a business.

Mr Sutherland: Let me say again that we're not rejecting the principles; we agree with the principles. The question is where they should be placed. We believe that placing them in the memorandum of understanding between the minister and the chairman of the board, and the other accountability mechanisms to ensure that they're enforced, provide us with more than sufficient accountability. We accept the principles. The

intent is to implement them through the memorandum of understanding. The auditor's office has been informed of that and, I believe, informed of that in writing.

The Chair: Mr Daigeler. I'm sorry. Were you finished, Mr Cousens?

Mr Cousens: I am not doing very well so I am glad to see Mr Daigeler try.

Mr Daigeler: Can we get a copy of this written communication that you're referring to?

Mrs Stewart: Yes. We'll try and provide it this afternoon.

The Chair: Thank you. Mr Phillips.

Mr Phillips: I think Mr Cousens probably summarized it. The government has no intention of supporting it, so it's dead. But the problem with the explanation I hear is: "Well, trust us. We're going to do all this and you just have to trust us on this." I think the opposition is saying, "Well, if you're going to do it all anyway and you agree with it all, let's simply put it in the legislation so that we don't have to rely on—while we are still negotiating that memorandum of understanding," or blah, blah, blah.

I realize the parliamentary assistant has to say what he has said. It's a tough argument to make because it doesn't make sense. If you're going to do it at all, put it in the legislation. I hear your explanation, I don't accept it, but I think we're probably going to chase ourselves around for a long while on this because it's clear the government isn't going to accept the amendments.

Mr Hope: I was intrigued by Mr Cousens and he does bring up a good point about accountability. I hear him quite often in the Legislature speaking on behalf of constituents and information to constituents. I support the memorandum being put in here and not confined in the legislation for the simple fact that I believe there's an overall role, and the role is for the public auditor to put one clear message out there for everyone so that the consumers, who are the taxpayers out there, can pick up one piece of legislation instead of multiple pieces of legislation and know what the accountability framework is for scheduled facilities, agencies and even the government.

That way it's clearly defined, there's no interpretation, there's no picking from one piece of legislation to another piece of legislation to another piece of legislation.

We wonder why everything is so confused these days. You did an excellent job of confusing the public for 42 years, and five years for the Liberals. I think what we need to do is get things very clear in pieces of legislation, and to start off in here without dealing with the overall problem of public accountability is very misleading to the general public.

Mr Cousens: Is the honourable member suggesting that the memorandum of agreement that would be made is something that would be put in the form of a bill brought to the Legislature and then given legal power, or will it continue to be something that is an arrangement through that former memorandum as an internal document?

Mr Hope: Do you want me to respond to him?

Mr Sutherland: I can respond to it.

Mr Hope: Okay.

Mr Cousens: I'd like to hear Randy. We might get something out of him.

Mr Sutherland: Let me just say that the memorandum of understanding will be established and it is a document that members of the Legislature can access, and that the public can access it as well if they want to see what's involved with it.

Mr Cousens: That wasn't my question. Is it going to be in the form of a law? Is it going to be in the form of a bill?

Mr Sutherland: No. Memorandums of understanding are not pieces of legislation.

Mr Cousens: But to give it that weight of power, which certainly the auditor raised earlier this week, would you consider putting it in some form other than just an internal document as a memorandum of agreement?

Mr Sutherland: I think the weight of power that the auditor would request is developing a legislative accountability framework that is acceptable to the auditor, and you're not going to have that done with this one piece of legislation. His intent is to have that through all pieces, through the whole government, as Mr Hope was indicating, and that process is being worked upon and will continue to be worked upon.

I'm sure the auditor at some point will say that he wants a deadline established for finalizing that accountability framework and once it's established, again, these corporations will be subject to that accountability framework. If the accountability framework goes beyond what's in the memorandum of understanding, they will be subject to that.

Mr Hope: Just to respond to Mr Cousens, he talks about the memorandum of understanding. I'm talking about a piece of legislation that should be brought forward and I'm surprised the Tories haven't brought it forward, Don. I thought for sure you would bring the public accounts auditing process into the Legislature and introduce it as a Finance critic. Maybe it's just that you haven't been in the portfolio long enough, but I'm sure you will. I think in the overall perspective of it, the public auditor ought to be making major recommendations for the taxpayers of this province to put government in accountability: provincial, municipal, transfer partners, schedules. I believe it is an auditor's responsi-

bility. I'm not an auditor.

Mr Ted Arnott (Wellington): That's what you're voting against.

Mr Hope: I've seen ways—

Mr Jim Wiseman (Durham West): No, we're not.

Mr Hope: No, I'm not. Understand what's going on. You're piecemealing, which the Tories have done for 42 years. It's piecemeal legislation, which has made it very confusing for the general public to find out stuff. You've done an excellent job of confusing the public, and today we're trying to get a grapple on a lot of that stuff. The Liberals, I must say, weren't experts at cleaning things up either.

What we need to do is to bring forward a piece of legislation which talks about everything from provincial to schedules to agencies, so that the general public is well aware of them, and I believe the public auditor's responsibility should be performing that responsibility as an auditor. I hear about corporations. I know a lot of corporations that have a lot of corporate numbers in one corporation. Let's just make sure that when we're talking about the amendment you're bringing forward, it is only a piecemeal process. The only overall process for accountability to the general taxpayers is one piece of legislation that they can refer to, and whatever agency it is, they have it at hand in one piece.

1100

The Chair: Thank you. Are there further questions or comments on Mr Phillips's motion on section 13.1?

If not, shall Mr Phillips's motion carry?

All in favour will say "aye."

Opposed?

I feel a recorded vote coming on. Do the nays have it?

Mr Sutherland: For Mr Phillips's sake.

The Chair: A recorded vote.

All in favour of Mr Phillips's motion?

Ayes

Mr Arnott, Mr Cousens, Mr Daigeler, Mr Phillips.

The Chair: Opposed?

Nays

Mr Hope, Mr Mammoliti, Mrs Mathysen, Mr Sutherland, Mr White, Mr Wiseman.

The Chair: The motion is lost.

Mr Sutherland: Mr Chair, just before we proceed, we now have the response to Mr Phillips's question, so I'd like to table that with the committee for distribution.

The Chair: That shall be distributed to the members. Thank you, Mr Sutherland.

Section 14: I see two amendments being proposed to section 14, one by Mr Phillips and one by Mr Cousens. Again, they look remarkably similar, if not identical. Mr

Phillips, would you like to move your amendment to section 14?

Mr Phillips: I move that section 14 of the bill be amended by adding the following subsections:

"Corporate plan

"(5) A corporation shall submit annually to the minister for his or her approval and recommendation to treasury board a corporate plan that deals with all the businesses and activities of the corporation and of its subsidiary corporations.

"Contents

"(6) The corporate plan shall contain,

"(a) a statement of the objects of the corporation as set out in this act;

"(b) a statement of corporate objectives for the next five years and for each year in that period and of the proposed strategy for achieving them;

"(c) a statement as to expected performance for the year in which the plan is submitted as compared to its objectives for that year, as set out in the most recent corporate plan;

"(d) the operating and capital budgets of the corporation and its subsidiary corporations for the next fiscal year.

"Substantial change

"(7) If a corporation or its wholly-owned subsidiary proposes to make a substantial change to its business activities in a manner that is inconsistent with its most recent corporate plan, the corporation shall promptly notify the minister in writing of the proposed change and clearly identify the inconsistency.

"Budgets

"(8) The budgets referred to in clause (6)(d) shall deal with all the businesses and activities, including investments, of a corporation and its wholly owned subsidiary corporations and shall be prepared so as to show clearly information relating to their major businesses or activities.

"Approval of budget items

"(9) The minister may approve any item in a capital budget submitted for any fiscal year after the fiscal year for which the budget is submitted."

The Chair: Thank you, Mr Phillips. The Chair has made a small error in that we should have been dealing with your other motion, subsections 14(1) and (2), first, so with the permission of the committee, we'll stand down Mr Phillips's amendment that he just read in until the appropriate time and deal with his amendments to 14(1) and (2). Again, I see that Mr Cousens has a similar motion, so if you would move your other amendment.

Mr Phillips: Subsections 14(1) and (2):

I move that subsections 14(1) and (2) of the bill be

struck out and the following substituted:

"Annual report

"(1) A corporation shall, within ninety days after the end of its fiscal year, submit to the minister and the Minister of Finance an annual report on its affairs and the affairs of its subsidiary corporations for that fiscal year.

"Contents of report

"(2) The annual report shall include,

"(a) the financial statements of the corporation and its subsidiary corporations, prepared in accordance with generally accepted accounting principles;

"(b) the Provincial Auditor's report on the financial statements;

"(c) a statement setting out the extent to which the corporation and its subsidiary corporations have met their objectives for the fiscal year as set out in the corporate plan; and

"(d) quantitative information respecting the performance of the corporation and its subsidiary corporations relative to their objectives, prepared so as to show clearly information relating to their major businesses or activities."

The Chair: Do you have an explanation for the reason for your amendment?

Mr Phillips: Again, it goes back to something that actually both our party and the Conservative Party proposed in the pre-budget consultations, and that is that the way the finances of the province are reported is (a) not as useful for the public as it should be, and (b) doesn't conform with normal accounting principles. The accounting profession in the country has been urging strongly governments to change their accounting methods, and some governments have moved, as we heard from the auditor.

The auditor himself, when he was here two days ago, answered the questions we've heard. What the auditor said is that if we incorporate these proposals, these corporations will far more accurately provide to the Legislature the necessary information for the public to deal with the agencies, the capital corporations.

I think someone said to him, "Why not just wait till we revise the whole thing?" and he said, "Here is an opportunity as you proceed with this legislation to incorporate the principles that we're talking about." I think he answered the question of why do it now, because we're dealing with this legislation, because it's clear what should be done, and I gather the government is saying it will do this, but it prefers to do it through other informal means. What I'm saying is, let's take the advice of the Provincial Auditor, who's responsible to the Legislature for ensuring the public gets the right information, and incorporate it in the legislation now.

Mr Cousens: I think everything that was said in the

earlier presentation, both by Mr Phillips and myself, applies to this amendment.

Mr Sutherland: I just want to state again that no one is against the principle of having some mechanisms for reporting and ensuring what should be in annual reports. I guess my concern would be, though, that you're really limiting the flexibility when you put it into actual legislation.

I think there are many other mechanisms besides the memorandum of understanding. The minister can at any and all times direct the board on what should be in its annual report, and again, here you've got a situation that at this stage anyway, the auditor has said what he would like in the annual plans. Let's say six months from now the auditor decides he wants more detailed information. Then you're looking at coming back and going through a legislative process to formally establish that in legislation.

Again, I think you have far more flexibility in terms of doing it through the other mechanisms that are available rather than, each time you change that, coming back and reintroducing the legislation and having to use up legislative time to make those amendments necessary.

Also, I come back to state once again, there is a process going on for a legislative accountability framework. I'm sure as part of those discussions the auditor will be talking about annual reports, what should be in annual reports, both of government ministries and of the corporations of the government. I would say there are many processes available, and having it in the legislation is not the only mechanism for ensuring that you have accountability or for ensuring that the contents of this motion are dealt with.

1110

The point is, once it's in legislation you then do limit your flexibility on how you change those reporting mechanisms should you want more information or should changes occur. Given the fact that the legislative agenda always seems to be busy as is, I think all of us would agree that it's not maybe the most effective use of the time to keep bringing back pieces of legislation to amend them all the time to respond to changes in what people see as appropriate reporting mechanisms.

The Chair: Further questions or comments?

Mr Arnott: This discussion is similar to what we experienced over the last amendment, which caused some interesting responses. But I still fail to see how the government will reject this motion as well. I think what the auditor has suggested is a basic minimum requirement for accountability. If the government wishes to enter into the memorandum of understanding with the auditor, which will apply to other crown corporations, other agencies and so on, that's fine. But this is a legislated, basic minimum requirement of accountability

which conforms with generally accepted accounting principles and generally accepted business principles that I think the taxpayers would hope to have in these corporations.

So whatever agreement the government may enter into with the auditor that can be superseded if we can find greater accountability mechanisms, we're for that. But this is a basic, minimum accountability mechanism and I feel the government should support it.

Mr Sutherland: I guess I would just say that it's my understanding out of the legislative accountability framework process that what may occur is, once that process has developed that framework—and I think that was the intent of the public accounts committee; I don't sit on that so someone could correct me if I'm wrong—then we're going to go ahead and make the changes to the Audit Act to reflect that framework. I guess what we're saying is, that is the piece of legislation to do that to get all the accountability processes put in legislation under the Audit Act, which is what the auditor operates under.

So it's a much better process, we believe, to do it under there, which will apply to all the corporations, than to go through each piece of legislation and then, at the end of the day, find out that the accountability framework is different and then come back and change those pieces of legislation to reflect that.

The Chair: Further questions or comments on Mr Phillips's motion? Shall Mr Phillips's motion carry? All in favour? Opposed? Mr Phillips's motion is lost.

We'll then deal with section 14, as printed, (1) through (4), and then we will take Mr Phillips's second amendment. Question or comments on subsections 14(1) through 14(4)? Shall subsections 14(1) through 14(4) carry? Carried.

Mr Phillips has stood down his other amendment. Mr Phillips, would you like to explain why you entered that amendment into the record?

Mr Phillips: It was part of the package of proposals from the Provincial Auditor. I think we've had a good debate on the previous two, and this one simply follows up on what he would recommend to the Legislature and what we would support as a proper way of reporting for these things.

The Chair: Further questions or comments to Mr Phillips's amendment? Shall Mr Phillips's amendment carry? All in favour? Opposed? It's lost.

Shall section 14 carry? Carried.

Mr Mammoliti: Point of procedure.

The Chair: Yes, Mr Mammoliti?

Mr Mammoliti: I guess just a question to you, Mr Chair, in terms of what we should be doing with the PC motions. They're identical—exactly alike, to be specific. Do we have to go through them as well, or are they

automatically rejected?

The Chair: Well, Mr Mammoliti, Mr Cousens did not move them, so we did not need to deal with them. If he had moved them, I would have had to rule them out of order, because they were identical to a motion that had already been debated.

Mr Mammoliti: Okay, thank you.

Mr Cousens: And I was respectful of the fact that the Liberals had very good motions.

The Chair: Could I have questions or comments? Sections 15 through 32: Questions, comments or amendments, sections 15 through 32, inclusive.

Mr Cousens: One question I have, Mr Chairman, and it has to do with section 27, "Money required to defray the operating costs of a corporation before the 1st day of April, 1994 shall be paid out of the consolidated revenue fund...." One of the issues raised earlier this week as well—from, I think it was, the OHA—had to do with the way in which grants that already are being made to hospitals may in fact be reinterpreted to be loans rather than the grants that they were, so therefore, I'm wondering whether or not that is the case and how in fact those grants that have already been given out—are they going to be transferred over to these agencies or do they just come out of the consolidated revenue fund? You look quizzical.

Mrs Stewart: I'm sorry, Mr Cousens; I didn't hear the beginning of your question.

Mr Cousens: It sort of ties into this section as to what moneys are going to be in the agencies and what moneys really come out of the consolidated revenue fund. The concern that was raised earlier this week was that grants going to hospitals could well be reinterpreted by the government to be loans and then an agreement would have to come out to define the arrangements of those agreements, and then that would become part of one of these agencies.

To what extent is that true, or does it all come out of the consolidated revenue fund?

Mrs Stewart: I'm going to ask a member of the Ministry of Finance to answer your full question. John McKendrick, if you could give some help.

Mr John McKendrick: My name is John McKendrick.

The Chair: And your position.

Mr McKendrick: I'm an analyst with the treasury board division, Ministry of Finance.

I think this section is simply to allow the corporations money to get up and running. I don't think it really has anything to do with hospital loans, that sort of thing.

Mr Cousens: Well, it probably doesn't, but what about those loans that are given to hospitals that aren't loans, that they're receiving now as grants? Will they be reinterpreted as loans?

Mr McKendrick: I'm not sure I understand.

Mr Cousens: We had a presentation earlier this week and they're concerned that moneys that they're receiving now and under the traditional terms of reference would have been given as grants, since this bill is being brought in and has certain retroactivity tied to it, they may have to develop agreements and arrangements with the government to cover those moneys that have already been given to them.

To what extent is that true and to what extent does that affect either the consolidated revenue fund or the funds of the new agencies?

Mr McKendrick: Well, the hospital loans are not affected by this section 27.

Mr Cousens: I know they're not, but it's a place that raises the question, so we'll go back and find the section. The question still stands.

Mr McKendrick: Section 33 is a relevant section for hospital loans. I can give an explanation of that if you want at this time, or perhaps you want to wait till that section comes up.

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Mr Cousens: Whatever the Chair decides, as I would defer to his decision. I wouldn't mind hearing it now, though, since I've asked it. I might forget it.

The Chair: We are to be to section 33 relatively shortly, Mr Cousens.

Mr Cousens: If you can remember the question, I'll stand it down until—

The Chair: Thank you. Further questions or comments regarding sections 15 through 32 inclusive?

Mr Cousens: On section 27, how much money do you see coming out of the consolidated revenue fund in its first year?

Mrs Stewart: Mr Cousens, there was a question that you raised—actually, I believe it was on Monday—the answer to which was tabled today, which tries to explain the kinds of information that might actually show up in the estimates. Certainly, moneys that will come out of the consolidated revenue fund for the corporations will have to show up in the estimates.

The answer to the question specifically, as to how much, is not yet available in terms—it will depend very much on revenue streams from corporations undertaking projects that will have alternative financial arrangements. So the precise answer to the question as to how much is yet unavailable.

Mr Cousens: Are there any estimates that would be guidelines? Is the government just going blind on this and just has no sense of what the best case/worst case scenario is?

Mrs Stewart: The government has made some broad estimates that are reflected in the budget plan and the budget that was tabled in this past April.

Mr Cousens: What would those numbers be then?

Mrs Stewart: I don't have those numbers with me.

Mr Cousens: Does the budget document specify what those numbers would be, because it was a \$2-billion number that was at the bottom of page 19 in the small print that was really referring to this document, as I recall. Is that what you're referring to or is there another place in which this number is?

Mrs Stewart: The figures you're probably seeing, and indeed in the footnotes, would be the amounts of loans, non-budgetary expenditures that are anticipated for the next three years. For any implications of funding coming from the consolidated revenue fund over the next three years, the figures will not be explicit in the budget. They'll be there aggregated with a number of other figures.

Mr Cousens: Could someone de-aggregate them?

Mrs Stewart: I will ask the question.

Mr Cousens: I just did.

Mrs Stewart: I would have to un-ask that question, to use your expression.

Mr Cousens: Oh God, governments.

Mrs Stewart: We're here to help.

Mr Wiseman: And the cheque's in the mail?

The Chair: Further questions or comments on sections 15 through 32 inclusive?

Shall sections 15 through 32 carry? Carried.

Section 33: I see a government motion. I think, looking at this section, we might deal with subsections 33(1) through (5) before the parliamentary assistant makes his motion.

Mr Hope: It was brought up yesterday, I believe by the Ontario Hospital Association, dealing with the wording under "fiscal year commencing," and it had "fiscal year"; they were saying something about fiscal years. For clarification, I'm just wondering—legislative counsel is here—what's the difference between putting on the—

The Chair: Which section are you referring to?

Mr Hope: Subsection 33(3) dealing with about the fourth line from the bottom of 3 where it says "of Health for the fiscal year," and they were saying something about wanting "years" in there, "commencing on the 1st day of April, 1993." This is just for some clarification because they had brought it up as a concern yesterday. I had noted it in my paperwork here and I just wanted some clarification on it.

Mr Sutherland: I'll ask Ms Stewart to provide a clarification. I believe yesterday in the response that I was giving, I wasn't quite interpreting their question correctly.

Mrs Stewart: Thank you for raising it, Randy, so we can clear the record. The intent of the section is

purely to address this year's funding which indeed will come from the Minister of Health as it has initially, and therefore it's explicit to the current fiscal year, beginning April 1, 1994, and thereafter. The flow of funds under the loans-based system to hospitals will actually come from the Ontario Financing Authority. Those arrangements would be made directly with the financing authority. So indeed this section 3 refers only to this specific fiscal year.

Mr Phillips: I want to make sure I understand what this does. I'll just give you my interpretation of what I think it does and you can tell me if I'm right or wrong.

Every year the province spends or gives or provides roughly \$600 million a year in capital funds for schools, colleges, universities and hospitals—I've looked at it over a long period of time; it's about \$600 million a year—and anything I've heard from the government is that the government plans to continue to provide at that kind of level for the foreseeable future. Historically, the province has said, "We've spent \$600 million a year. We'll show that as an expenditure."

What this plans to do is to continue to spend \$600 million a year of provincial money, but rather than the money coming from the province, to say to a school board: "You go borrow the money collectively, you go borrow the \$600 million from the Ontario Financing Authority, put it on your books as a loan payable to the Ontario Financing Authority, but tell them not to worry because we're going to repay that whole loan. We have the full obligation for that loan, principal and interest, and we will sign a contract with you that we will repay it. But we don't want it on our books as a debt; we want it over on your books as a debt. We will undertake to repay you that \$600 million over 20 years."

The beauty of it is that rather than showing \$600 million, we'll show one twentieth of \$600 million, presumably \$30 million. So in year one, you spend \$600 million and show \$30 million; year two you spend another \$600 million—you spend \$60 million and you build up the debt on someone else's books, which, I think, is convenient. That's how I interpret it, but maybe I'm misinterpreting how this thing is going to work.

Mr Sutherland: Can I just clarify here? Are you referring to subsection 33(3), the one Mr Hope—are you talking in a broad, general—

Mr Phillips: I'm assuming that the whole section 33 deals with how we're going to flow—

Mr Sutherland: Okay.

Mr Phillips: —how school boards, hospitals, colleges, universities will get—

Mr Sutherland: I just wanted to be clear whether it was the whole section or the subsection.

Mr Phillips: I think it probably generally refers to the section.

Mrs Stewart: If I may, Mr Phillips, essentially, your interpretation is correct. One clarification I would like to make, however, is that the future years' amount of capital investment to be provided will be a specific decision of government each year. You're quite correct that roughly \$600 million has been provided in capital assistance to the sector recently. There's no guarantee that in future years that number may be 600—it may be 500; it may be 700—but your rendition of the balance is essentially correct.

Mr Phillips: If you assume that on those other jurisdictions, on my understanding from a document that actually you may have provided or the staff may have provided, the debt that the province will owe but will not show as provincial debt will be \$2.8 billion in five years.

Mrs Stewart: I don't have the paper in front of me, but indeed you do, and those figures relate to how the loan might be amortized, making some assumptions on rates of interest and repayment schedules etc. If those are the figures in the paper, I can only attest to them as being correct.

Mr Phillips: That's fine. Thank you very much.

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Mr Wiseman: Just to follow up on that point, does it also not indicate that if you move to this method of financing it's a much clearer picture of when the loans will actually be retired and at what rates? Rather than dumping them into the accumulated debt of the province, we have a very clear structure of what's being paid and what's being retired as the process continues, and there would be significant advantages to this in terms of interest rates and amortization rates, because they'd be able to take advantage of different interest rates. Doesn't it also, doing it this way, create a multiplier that the current climate would allow for greater expansion and a renewal of the infrastructure?

Mrs Stewart: Correct on all counts.

Mr Phillips: If I may, I would disagree with the latter. If you can't afford the debt on your own books, just because it's on someone else's books and you have 100% obligation for it, presumably you can't afford it any easier on someone else's books, can you?

Mr Wiseman: No, that's not the case. That's not the way I read it.

The Chair: Are you asking a question, Mr Phillips?

Mr Phillips: Yes. You were saying that's the benefit of it, that you can spend more money, but if you can't it—I guess my point is that this is so clearly provincial debt, hidden, or attempted to be hidden, on someone else's books. It's like not disclosing you've got a loan. Someone else has borrowed the money for you, but you've given them a note you owe 100% of it.

Mr Wiseman: No, it's not; no, sorry.

The Chair: Mr Wiseman?

Mr Wiseman: I don't see it in that way, and I guess they can correct me if I'm wrong, but the way I see it is that's it's a much clearer definition of what the money is being used for and what project it's being invested in, and you can't really hide it. I think this issue came up a long time ago when we were looking at that previous bill, and I forget the number of it, back about a year ago about the separation of capital and operating expenses. In my view, it's impossible to hide where the money is being spent, but this gives a very clear indication to the public what the money is being spent on and it allows them to have a better analysis and judgement of it, whether it's appropriate use by school boards, hospitals, commissions, universities and so on.

What I see as being a problem with the way the accumulated debt of the province is now is that there is no clear time frame for retiring that debt in terms of paying that off. I think that's one of the benefits of this.

Mr Hope: Companies do it all the time, Gerry.

Mr Wiseman: If you want to get into what—

Mr Phillips: Are you crazy?

Mr Hope: Don't tell me they don't buy machinery and depreciate it off over 25 years or five years.

Mr Wiseman: Maybe you want to go back and take a look at how some of the—

The Chair: Mr Phillips may want to withdraw that remark.

Mr Phillips: I'm sorry; my fault.

Interjection: Withdraw it, you say?

Mr Phillips: I'm sorry; I didn't mean to say that. I wasn't referring to anyone.

The Chair: Shall subsections 33(1) to (5) carry? Carried.

Mr Sutherland, I see you have an amendment.

Mr Sutherland: Yes, thank you, Mr Chair.

I move that section 33 of the Bill be amended by adding the following subsections:

"Non-application of subsection 121(7) of Education Act.

"(5.1) Subsection 121(7) of the Education Act does not apply in respect of a bylaw passed by a separate school board authorizing it to enter into an agreement whereby the Minister of Education and Training agrees to pay to the board the amount required to meet the principal and interest payments on debentures to be issued by the board in respect of a permanent improvement.

"Same

"(5.2) If the Minister of Education and Training agrees to pay to a separate school board the amounts required to meet the principal and interest payments on debentures to be issued by the board in respect of a

permanent improvement, subsection 121(7) of the Education Act does not apply in respect of,

"(a) a bylaw passed by the board authorizing temporary borrowing to meet expenditures incurred in respect of the permanent improvement up to the total amount approved by the minister; or

"(b) a bylaw passed by the board authorizing the issuing of the debentures."

The Chair: If I might have an explanation?

Mr Sutherland: Apparently, there is a provision under the Education Act whereby separate school boards have to wait three months before they can proceed with investments of construction. I'm not sure of all the background on it and why that's in there, but what this amendment would do would ensure for these purposes that the separate school boards are on the same basis as public school boards.

The Chair: Further questions, comments.

Mr Cousens: Maybe there could be a better explanation of why that does exist.

Mr Sutherland: Okay. There is a lawyer from the Ministry of Education and Training here, I believe. Maybe they could come forward and introduce themselves and maybe give some explanation. I believe it's Mr John Tomlinson.

Mr John Tomlinson: Yes. My name's Mr Tomlinson. I'm from the legislation branch in the Ministry of Education. As to why that section exists, since we weren't there when it was put in, we don't know for sure, but the best guess is probably that it was to allow separate boards to have a procedure they could go through in order to tell investors that their debentures were sound and could not be legally challenged, because what the legal requirement does is it says to the school board, "Before you can do anything under your borrowing bylaw after you've passed it, you have to publish notice of it in the newspaper for three consecutive weeks, and then you wait for three months." If nobody challenges it in court, then the legislation says that regardless of whether there are any defects in your bylaw, your bylaw is going to be deemed to be legally valid and binding and your debentures are legally good.

So separate boards, which historically didn't have to go to the municipal board to have their debentures approved like public boards do, couldn't say to lenders, "Well, the municipal board has approved our debentures." It had this procedure, though, as an alternative to go through so that it could say to its lenders: "Look, we published, we waited three months, nobody attacked the bylaw. So the legislation says that our debentures are good, and you can rely on that."

Is that sufficient?

Mr Cousens: It's one of those anomalies that really doesn't need to be there any more.

Mr Tomlinson: With these debentures, of course, since the government is paying the interest and principal and the financing authority is in a direct contractual relationship with the school boards and is going to hold on to the debentures, as I understand it, there's really no need for the protection of that provision.

The Chair: Further questions or comments. If not, shall Mr Sutherland's amendment carry? Carried.

Questions, comments or amendments to subsection 33(6)? Shall subsection 33(6) carry? Carried.

Subsection 33(7): Mr Sutherland, you have an amendment.

Mr Sutherland: Yes, I do. I move that subsection 33(7) of the bill be amended by striking out "power to borrow" in the eighth line and substituting "unrestricted power to borrow, with or without security."

The Chair: You would have an explanation.

Mr Sutherland: Yes. Again, this is with respect to hospitals. Apparently, as we know, there aren't consistent bylaws. There are all kinds of different sets of bylaws for different hospitals across the province. Some of the bylaws of different hospitals in their rules of borrowing might prohibit them from entering into some of these agreements with the financing authority unless we made this change. So this ensures that, whatever those bylaws are, the hospitals can still enter into the contractual agreements.

The Chair: Questions or comments?

Mr Mammoliti: This is to the parliamentary assistant. In your opinion, do you think that the number of hospitals around Ontario that have been for years, in essence, asking for capital moneys to do appropriate work on their facilities, to upgrade their facilities, in many cases—just as an example, to a more appropriate health and safety type of approach—do you think that this amendment might help a lot of those hospitals in expediting some of that work that they were counting on government funding for in the past?

1140

Mr Sutherland: I can't give you a definite answer because it would depend on the specific bylaws of the specific hospitals that have requests in there in terms of this amendment. In terms of whether the whole bill will, I would certainly hope it would, but as I'm sure you're aware, because I know you have a hospital in your riding—I have one in mine that's gone through a lengthy process—there still are ministry approval processes that have to be worked through, but certainly the legislation should help to ensure that more projects could occur, but to say the amendment specifically—you'd have to look at each hospital's bylaws.

Mr Mammoliti: This would be another avenue, however, for hospitals to take, perhaps?

Mr Sutherland: The intent with all the USH sector—universities, schools, hospitals—is to allow us to

maintain significant capital investment in tough economic times and declining government revenues. But I don't think the amendment itself, you can say that, because the amendment is referring to individual bylaws of hospitals that may restrict them, and by doing this amendment this will allow them to enter into the agreements with the financing authority.

Mr Mammoliti: But on that basis, the bylaws in many of the hospitals in Ontario would have restricted it.

Mr Sutherland: I'm not an expert on how many are in the hospital sector and how many bylaws it would be, but we've certainly been made aware that there are some and we certainly don't want to do that.

Mr Mammoliti: I don't want to pursue it.

The Chair: Thank you, Mr Mammoliti. Further questions or comments to Mr Sutherland's amendment to subsection 33(7)? Just a small question of clarification from the Chair: "declining government revenues," could we document that? Sorry.

Mrs Stewart: I believe the Treasurer did in the past budget.

The Chair: Shall Mr Sutherland's amendment to subsection 33(7) carry? Carried.

Shall section 33, as amended, carry? Carried.

Questions, comments or amendments to section 34?

Mr Cousens: Is there going to be any kind of comment or response to earlier questions around 30? What point was I going to hear back from the honourable—

Mr Hope: That was in 33.

The Chair: Section 33, we just did it.

Mr Cousens: Was he going to respond to my questions at that point—when I trusted the Chair?

The Chair: I'm crushed, Mr Cousens. I'm certain I would permit you repeating your question.

Mr Cousens: I don't think I could.

I could go back and start working on it. I am concerned about the definition of the loan and the interpretation thereof and how that applies. I could work on that question again and phrase it in such a way that no one will ever answer it. But if you'd like to leave it the way it was, I'd be pleased to get an answer as best as possible.

The Chair: Is there someone who could—

Mrs Stewart: John McKendrick. Are you in order?

The Chair: Yes, he's in order.

Mrs Stewart: All right. I think, John, if you're clear enough on the question, you might try to repeat it so we're clear on the answer.

Mr Cousens: I'm just being lighthearted.

Mr McKendrick: I think you just want to understand how loans for hospitals are going to work in this

year and the next.

Mr Cousens: And as it changes with the new system going in.

Mr McKendrick: Okay, what happens is, for the 1993-94 fiscal year, hospitals will be continuing to receive the money the way they do now in terms of grants, but it will be deemed to be a loan under this act. That is because we didn't have things up and running, the administration in place, at the beginning of the year, so in the legislation we deemed it to be a loan. We will then be entering into agreements to get the loans from the Ministry of Health later on in this fiscal year. Once the Ontario Financing Authority is established, the loans from the Ministry of Health will then be transferred over to the Ontario Financing Authority and then, in subsequent fiscal years, the loans will come directly from the Ontario Financing Authority to the hospitals.

Mr Cousens: So when a hospital gets a grant now, it's being told it's a loan?

Mr McKendrick: Yes, that's right.

Mr Cousens: So what kind of terms are they being given on that loan?

Mr McKendrick: It'll be a 20-year term and it will be at the same interest rates that the provincial government borrows at for 20-year loans.

Mr Cousens: What kind of clarification is being given to the hospitals as to the way that is working? There was some concern as to how that would impact hospital financing.

Mr McKendrick: There should be no negative impact on hospital financing. Once you give a payment to a hospital, there would have been some interpretation as to whether it was a loan or a grant. Because we didn't have time to get loan agreements up prior to this fiscal year and also because we did not want to slow down the cash flow to hospitals, we put this in place, so that construction projects would also not be slowed down.

Mr Cousens: Did you get a letter of intent from the hospitals that would give an indication that they would sign whatever it is that's presented to them?

Mr McKendrick: What we got from hospitals was—actually, they had originally a joint policy committee between the Ministry of Health, and the Ontario Hospital Association had proposed a similar type of arrangement through a slightly different mechanism. So they were initially quite supportive of the loans-based financing concept. We had some meetings with them around how we would structure it. Those meetings are still ongoing. We had told them that we would be entering into legally binding agreements later on in the year.

Mr Cousens: Does this principle that is being discussed now for hospitals apply as well to other grants that are being given out either to municipalities, univer-

sities or school boards?

Mr McKendrick: Basically it applies also to universities, colleges and school boards, not municipalities at this stage. The one other thing I should say is that the loans to hospitals are for only where the share is \$1 million and less. If it's \$1 million or less, the government's share of the project will continue to come in the form of a grant, and that was something that was also requested by the Ontario Hospital Association.

Mrs Stewart: If I might, John—sorry. The loans will be for undertakings that are more than \$1 million.

Mr McKendrick: Yes. Sorry, I didn't make myself clear.

Mr Cousens: That makes more sense.

There was some concern by the OHA that this procedure—first of all, they didn't fully understand it. There was some negative reaction to it. You were telling us that that was really unfounded?

Mr McKendrick: All I can tell you is that they initially proposed this joint policy committee between the OHA, and the Ministry of Health proposed the idea to us back in, I believe, 1991. That's where it initially started. We had had discussions with them on how it would work, a number of meetings through 1992 and 1993. So I thought they were quite aware of the process.

Some of the players here were different from whom I had met with, so maybe there were some differences, a changeover in communication.

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Mr Cousens: The agreement is going to be signed by hospitals. It sounds like a retroactive system of changing the way—they've got the money and it's being spent, but then you're going to have them sign it. What kind of commitments are you going to expect them to make in that new agreement that's being drafted? Has it been drafted? Do you know what it's going to say?

Mrs Stewart: If I may, I believe some of the uncertainty expressed by the Ontario Hospital Association—and I may be speculating—relates as much to what may happen next year and onward. Indeed, Ken Kagan, who's a lawyer with the Minister of Finance, is currently involved in drafting agreements. Once those agreements are available to member hospitals and to the OHA, they may well see some of their questions clarified. But Ken can tell you a little bit about what those agreements will undertake.

Mr Ken Kagan: My name is Ken Kagan. I'm a lawyer with the Ministry of Finance. The intention is that each hospital will enter into a loan agreement with the Ontario Financing Authority and the Minister of Health.

The Ontario Financing Authority will agree to lend and the hospital agree to borrow the moneys that are required for its capital projects that have been approved

by the Ministry of Health. The Ministry of Health will join in as a party to that agreement to agree that it will provide, on an annual basis, an amount equal to the payment that the hospital is required to make under the debentures that it issues to secure the repayment of the loans.

Mr Cousens: What interest is going to be charged on that loan?

Mr Kagan: I can't say at this point. The interest rate hasn't been set, but whatever that interest rate is—there's a working assumption that the loan will be repaid, for example, amortized over a 20-year time period—the province will provide the hospital with the identical amount so that it can make its payment on the due date. Whether it's a higher interest rate or a lower interest rate, the province will provide the exact amount.

Mr McKendrick: One thing I can tell you is that the interest rate will be at the province's borrowing rate, so it will be a favourable interest rate.

Mr Cousens: You're confirming that there will be no difference in the interest rate, that it will be a wash transaction, that it will not have an added-on amount.

Mr McKendrick: It will have no negative impact on the hospital.

Mr Cousens: The agreement between the hospitals and the government for this year, have they been drafted yet? Do you know what they're going to look like?

Mr Kagan: They haven't been drafted. We've had discussions about what types of provisions would be necessary.

Mr Cousens: When the money was passed to the hospitals this year, did they understand that? Did they give you an indication that they would sign anything? What was the arrangement that you had? There has to have been some kind of legal preparation for the next stage.

Mr Kagan: When the government announced its intention that it wanted to convert from a grant to a loan-based system and that it was to go into effect as of April 1, 1993, the hospitals and the other recipients, school boards, were informed of that fact, but there was not sufficient time to draw up and enter into the necessary agreements to support that. The intention was and the hospitals were informed that their capital grants would be paid out as capital grants but that those capital grants would be converted into loans for this fiscal year under this legislation, subject to the exceptions, which were that if the capital grants were for \$1 million or less, they would stay as a capital grant, and that's what the legislation reflects.

For the next fiscal year, let's say the ministry makes its decision on what the capital grants should be, loan agreements would then be entered into between the Ontario Financing Authority and the hospital for it to borrow those moneys, just as I previously indicated.

Mr Mammoliti: I guess I'll be somewhat specific: I'm having a hard time understanding who would be eligible for these loans. From what the parliamentary assistant had said, if the bylaws in hospitals do not permit hospitals to borrow, for instance, they would not be eligible for these loans. Is that the case?

Mr Kagan: No. The intention is that every hospital and health care facility that's presently receiving capital grants will continue to receive those capital moneys but in the form of a loan instead of a grant. The provision that Mr Sutherland spoke to was to ensure that hospitals will be able to borrow without having to put up the security of their buildings in order to borrow these moneys, because many borrowing bylaws of hospitals contain additional restrictions that were unnecessary because the province is providing them with the moneys to repay. To overcome any legal obstacles so that the hospitals can in fact take the moneys under the loan-based financing program, that provision was inserted.

Mr Mammoliti: So the literally hundreds of hospitals that are currently asking for capital funds to complete a task and that are not even on any priority list, for that matter, this might be a way for those hospitals in Ontario to take advantage of, in this case, something positive for them to perhaps expedite some sort of a decision from government.

Mr Kagan: It's certainly possible. I'm not in a position to say yes or no to that, but the intent is to ensure that all hospitals can—

Mr Mammoliti: But surely you'd be familiar with all of the hospitals in Ontario that are asking for these funds. Would you not be familiar with all these hospitals?

Mr McKendrick: One of the reasons the government decided to move to this loan-based financing was because during periods of fiscal restraint the government tends to cut its capital grants, and moving to this loan-based system will enable the government to maintain its investment in hospitals. So I think some people who might have not received capital grants are now going to be able to receive those moneys in the form of loans in the future.

Mr Cousens: I think the point that I was trying to get to in my questions is that I don't want there to be surprises for those who received the grants which now become loans, and that the terms of the agreement they're now going to have to sign retroactively for money that's already been given them do not contain either guidelines, restrictions or surprises. So that's really the basis of my questions, because I think that you're dealing with many different boards and agencies out there that you're serving, and if you can give me some satisfaction that that is the case, then—I'm satisfied you're proceeding as best you can and you're under the guidelines of government, but maybe you could just comment on what I've just said.

Mr Kagan: It's my understanding that once the draft agreement is complete, it will be shared with the Ministry of Health and with the Ontario Hospital Association and any other groups that are affected so that they have an opportunity to review it and comment and ask any questions to ensure that there's full comfort in terms of what they enter into.

Mr Hope: Look at it like Leon's, Don: No payment till 1995.

The Chair: Order, Mr Hope.

Mr Cousens: You've been here too long, Randy. Oh, Randolph.

Mr Phillips: I think the concern of the hospital and probably the school boards is that previously they used to get it in the form of grants and now it's in the form of a strange kind of "loan" that the province is obligated to repay. It will not be in the legislation that the obligation to repay the loan occurs; it will be in the agreement. Is that a fair comment?

Mr Kagan: Yes, that's fair.

Mr Phillips: And so the OHA's concern yesterday, I think, was that legislatively there's no protection but the protection will come from—is there any comfort at all to the hospitals in the legislation?

Mr Kagan: Not in the legislation per se. It would be in the individual loan agreement. It's a legally binding agreement where the Minister of Health signs as a party to that agreement, committing the province to provide those funds, so—

Mr Sutherland: If I may add, too, to clarify, I think that was the problem yesterday when the hospital association was here. They were not clear that it's a three-party agreement with the Ministry of Health being a signatory. Their sense was: "Well, we've got to deal with the financing authority. We've never dealt with this agency, this corporation. We've always dealt with the Minister of Health." I think the fact that it's intended to be a three-party agreement and the Minister of Health is a signatory to that agreement should allay some of the concerns that were expressed yesterday.

The Chair: Thank you. I'm sure that clears up everything.

Mr Mammoliti: I've got to clear this stuff up in my head, anyway. If a hospital wanted to take advantage of this, would it apply—now, I could be naïve on this one; it might be in the legislation and I haven't read it—to the financial corporation for this, or would there be instructions from the minister to the corporation to deal with the particular hospital's needs?

Mr McKendrick: The hospitals will apply to the Ministry of Health, as they do now, and once the Ministry of Health has decided on who gets the moneys it will inform the Ontario Financing Authority.

The Chair: Thank you. Now I'm sure that clears

everything up. We'll move on to section 34. Thank you, gentlemen. Subsections 34(1) and (2), questions, comments?

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Mr Phillips: Is there anything in here that protects the financing authority in terms of the quality of loans that it is asked to assume and the value that's put on them? Who makes that determination?

Mr Sutherland: I'm not quite sure what you're asking for. Are you asking what type of financial analysis is done on the organization or the hospital or the institution?

Mr Phillips: For the purposes of this one, if the minister runs into a little bit of shortfall in revenue, he'll take a bunch of the loans that are outstanding in various areas, transfer them over to the financial authority and say, "Give me the money." That's what this is for: if you need a couple of hundred million dollars, you'll go to ODC or—I don't know to what bodies. I'm just wondering, who makes the determination on the value of those? Is it some independent auditor?

Mrs Stewart: Each of the proposals for borrowing to provide capital assistance would be assessed by the Ontario Financing Authority. The comment you made, Mr Phillips, about the potential of the minister to have funding come back from loans that were outstanding would not be possible because indeed under the legislation any removal by the Minister of Finance of surpluses in corporations, as an example, would have to take account of the obligations that are outstanding against those, in this case, loans.

The question you've asked in terms of calling back loans, the investors who indeed have purchased ventures related to these kinds of investments would not be very pleased if that were to happen. That would not be contemplated.

Mr Phillips: But isn't the intent of subsection 34(1) that the minister may transfer to the financial authority a loan that is due, payable, to the Minister of Finance? He can say, "I'm going to transfer that over to the authority," or am I misreading 34(1)? What is the intent of 34(1)?

Mrs Stewart: Mr Kagan can tell us that.

Mr Kagan: The purpose of section 34 is to deal with this fiscal year because, as section 33 sets up the provision of that, the grants paid to the various public bodies are converted into loans and those loans are deemed to be loans from the province to the public bodies. The intention of section 34 is to allow the Minister of Finance to transfer those loans to the Ontario Financing Authority, and then the school boards and the hospitals would make their repayments to the Ontario Financing Authority.

Mr Phillips: But the way it's written, can you give me an example of other loans that people or bodies owe

to the province that the minister could transfer? I mean, a loan may be due in the year 2000. They say: "I need the money now. I'll transfer it over to the financing authority and get it to give me that money and it'll assume that responsibility." That is not the intent of 34, or would that still be permitted under 34?

Mr Kagan: It's not the intent of section 34.

Mr Phillips: But it would still be permitted under it?

Mr Kagan: It's possible, yes.

Mr Phillips: What is the magnitude of loans outstanding to the province? Is it something that we shouldn't even consider worrying about, or are we talking about hundreds of millions of dollars of loans payable to the province that could be transferred here?

Mr Kagan: I'm not in a position to answer that. I don't have that information. There may be someone else here who could answer that question.

Mr Phillips: It's just my mildly suspicious nature that if you're running short on cash you say, "All right, here are some loans that we can't realize right now."

Mr Sutherland: Maybe we could ask John Madden to come forward. He might be able to give you a response to that.

Mr John Madden: Good morning. My name is John Madden. I'm assistant deputy minister, office of the treasury. My understanding of this section is that although it's permitted, the intention is for the Ontario Financing Authority just to administer these loans, so it would just be a loan administration. You could have a situation, I gather, where the assets would be transferred and cashed out, although that was not contemplated and was not the intention of this section. It would just be straight administration of these loans.

Mr Phillips: And just the school, college, university loans; not other outstanding loans?

Mr Madden: My understanding is that the existing loans also relate to some municipal bodies, if I'm correct—that's correct. I don't know the size, though, offhand.

Mr Phillips: So it may be a way for the province to raise more cash.

Mr Madden: You could, and it wasn't intended in this section, if you actually sold off the loans, but that's not the intention, to cash out on the loans through the Ontario Financing Authority. All it was intended to do was to strictly administer; centralize the administration for efficiency; just the repayment of those loans.

Mr Phillips: It may be helpful, for me at least, to get some idea of what loans are possible to transfer over into this agency.

Mr Madden: Sure.

Mr Phillips: And the order of magnitude.

Mr Madden: Okay. I don't have those figures in

front of me.

Mrs Stewart: We may, I believe, get them for this afternoon.

Mr Phillips: Great, thank you.

The Chair: Further questions or comments on 34? Shall subsections 34(1) and (2) carry? Carried.

Mr Cousens, you have an amendment numbered 34.1.

Mr White: Are we going to keep going through the lunch-hour?

The Chair: That's a good question to ask, Mr White. Does this committee wish to adjourn now for the lunch-hour or shall we—

Mr Wiseman: Let's just work through till 6 o'clock.

The Chair: I think we should at least finish section 34.

Mr Cousens: I move that the bill be amended by adding the following section:

"Repayment by the province

"34.1 The province of Ontario shall pay to a hospital that enters into a loan agreement under this act the amounts required to meet the principal and interest payments on the loan."

The Chair: Mr Cousens has moved an amendment to section 34 numbered 34.1. I, as the Chair, will have to rule that out of order because it requires the government to spend money, to directly allocate money. That is out of order unless the government itself proposes that amendment.

Mr Cousens: Then, in fulfilling the intent of this motion, is the government prepared to take any such action?

Mr Sutherland: I think the responses to your inquiries beforehand about how the system was going to work in terms of the development of the loans, and I think some of the responses Mr Kagan gave about how the loans are going to be developed and the three-party loan in terms of the financing authority, the Minister of Health and the individual hospital would take care of the concern that was put forward in this amendment.

Mr Cousens: I don't think it does. I think there's also an element there where if there is some way in which there is a guarantee that goes beyond the agreements but is in the legislation, which I think supersedes all agreements, then it gives a sense that the government is truly committed to fulfilling all its obligations and may not at some time try to renege on them.

Mr Sutherland: As I think I said yesterday, and we can get into this discussion again, we're talking about legally binding contracts that are subject to all the provisions of contractual law and all the precedents established about contractual law. If the government did decide to renege on a contractual agreement, then the hospital or institution would have the right to sue the

government for whatever damages caused by the government not fulfilling its obligations under the contract.

Mr Cousens: The concern rests; the issue has been made. The whole suggestion that the parliamentary assistant would make that even invokes the possibility that there could be hospitals suing the government and so on is just a further misspending of the public's money. My point is that there is an element here within the suggestions that are brought forward that I see, as much as anything—I have no doubt that the legal contracts will contain therein the obligation that this amendment would have brought.

I just have the sense that there is a worry out there on the part of those who do business with the government and are looking for certain warrants and assurances that are not otherwise obvious. There is a purpose to this amendment and I think it's simply that.

The Chair: Shall section 34 carry? Carried.

Members may indicate to the Chair if we wish to break for lunch now. That's the appointed time. We can pick this up at 2, unless the members would wish to sit through.

Mr Mammoliti: Why don't we pass 35 to 40? Are there any other amendments?

The Chair: The next amendment's on section 40. I think we should adjourn. We'll start again at 2 o'clock. The committee will be in recess until 2 o'clock.

The committee recessed from 1213 to 1401.

The Chair: The standing committee on general government will come to order. We will be dealing with sections 35 through 39 inclusive. Do we have questions, comments or amendments to sections 35 through 39 inclusive?

Mr Cousens: Mr Chairman, on section 39, maybe someone could tell me what the intent is of those objects.

Mr Sutherland: Regarding section 39?

Mr Cousens: Yes. What are your intentions?

Mr Sutherland: Well, it would seem pretty straightforward to me.

Mr Cousens: Well, help me.

Mr Sutherland: Section 39 is pretty straightforward. We have an Ontario Transportation Capital Corp. Basically, what it's saying is its goal is to develop ways, in conjunction with the financing authority, to finance their projects, to ensure that the projects are carried through, developed, whether it's the 407, to make sure it's constructed, whether it's the subway projects, to ensure that the actual construction and operation of them is carried out.

Mr Cousens: Why would you have that kind of an object in the transportation capital corporation and not in the water agency objects, a similar type of—

Interjection.

Mr Cousens: Hans, don't catch me on that one because they didn't like it when I said human rights has something in common with this. The New Democrats have no sense in being able to separate their logic, so please don't put me in trouble again.

Mr Sutherland: But remember, the Human Rights Commission is a quasi-judicial body, Mr Cousens. We're not setting up quasi-judicial bodies here. There's a big difference.

Mr Cousens: If you want to get into that one, I think you guys have egg all over your bodies, let alone your faces. I'm asking specifically—

Mr Hope: That's how we keep in shape.

Mr Cousens: You'd be good fried in egg. So as we look at the Ontario Clean Water Agency, why is that kind of object not included in there?

Mr Sutherland: I don't have a specific answer. I'm not sure—

Mr Cousens: Section 39 is the set of objects for the transportation capital corporation. What intrigues me is that you can have such wide, far-reaching objects for the transportation agency, but you can't do the same thing for the water.

Mr Hope: Section 39? Didn't we pass that already?

Mr Cousens: Lookit, Randolph—

Mr Sutherland: If I could just comment a bit, though, if we go to section 49, which deals with the clean water agency, it outlines the objects there as well.

Mr Cousens: Why are the objects so different?

Mr Sutherland: One is doing transportation; one is doing water and sewer projects.

Mr Cousens: One is more all-encompassing and one's more restrictive.

Mrs Stewart: Mr Cousens, the intent of the transportation corporation is to focus on financing, so it will be dealing with arranging the financing and arranging with other bodies the development and facilitation of transportation systems. It's not an operational kind of mandate that's being provided to that corporation; it's focused on financing. With the water and sewer corporation it's more explicit in that it talks about the building of works and providing of works, and indeed has an operational role provided in it.

Mr Cousens: So you therefore deliberately removed and excluded such activities within the water agency to separate it from the transportation agency, to remove that possibility whatsoever?

Mrs Stewart: No, actually, the water agency has also the mandate to enter into agreements, so it can undertake a number of activities, but its focus would be more on the operational side than would the transportation corporation's, and that leads to some of the differences in the objects.

Mr Cousens: I don't fully understand it, but I'll leave it for now.

The Chair: Further questions or comments?

Mr Phillips: On section 37, the assets and liabilities, can someone tell us what the magnitude of the assets and liabilities are of the Ontario Municipal Improvement Corp? At March 31, 1992, I think it had roughly \$45 million in there. Can anyone assure us that the liabilities we're transferring are offset by real assets?

Mrs Stewart: I believe Robert Watson from the Ministry of Finance can respond to some of that and certainly from the question that was left this morning as well, which has a similar tone.

Mr Robert Watson: I can speak directly to OMIC, sir. Those are loans to municipalities and they are presently in the Ontario Municipal Improvement Corp. That corporation is being dissolved—I think there's a section that repealed—so that these assets and liabilities will then go into the Ontario Financing Authority.

Mr Phillips: I know that. My question was, what's the total value of the liabilities? The figures I have are a year old and they show roughly \$45 million. Can anyone assure us that the assets will offset the liabilities, or are we transferring some bad debt over to this operation?

Mr Watson: No, those are viable loans with municipalities. In addition, I think in total the amount of the assets and liabilities of the Ontario Municipal Improvement Corp is something in the order of \$123 million, of which \$43 million are the previous assets of OMIC and the remainder are some municipal and school board assets that remain after the dissolution of the Ontario Education Capital Aid Corp and the Ontario Universities Capital Aid Corp.

1410

Mr Phillips: So \$123 million, and that's as of March 31, 1993?

Mr Watson: If I can just check my notes, I'll get back to you on that.

Mr Phillips: Because the \$43 million was March 31, 1992, as I recall. The purpose of the question is just to—my sort of cynical view, I guess, sometimes. I just want to make sure that the corporation's picking up real assets here.

Mr Watson: The amount is \$42 million at the end of 1992 for OMIC, and then there's about \$39 million—I'm sorry. It's \$85 million outstanding for OMIC as at March 31, 1993.

Mr Phillips: Say that again. Eighty what?

Mr Watson: It's \$85.5 million. In addition, there's a further \$39 million with respect to the former education capital aid corporation, for a total of about \$123 million.

Mr Phillips: Just for comparison, on March 31,

1991, the number was \$16 million; in 1992 it went to \$44 million; in 1993 it went to \$85 million. There's been an enormous buildup of liabilities in this corporation that's now being moved over. But you're assuring us that these are all offset by loans that the auditor would say are going to be repaid?

Mr Watson: There are loan agreements and they are going to be repaid.

Mr Phillips: With the remaining amount of money, the educational—

Mr Watson: When the capital aid corporations acts were repealed, those assets were transferred back to the Ministry of Finance and now they're—they were put into the Ontario Municipal Improvement Corp, which is now being dissolved. That act is being repealed and those assets and liabilities now are being included for administration purposes into one the Ontario Financing Authority has created. Those assets and liabilities will go into that corporation for administration.

The Chair: Further questions or comments, sections 35 through 39?

Shall sections 35 through 39, inclusive, carry? Carried.

Section 40: Mr Sutherland has a motion regarding clause 40(a).

Mr Sutherland: I move that clause 40(a) of the bill be amended by adding after "maintenance" in the third line "leasing."

The Chair: And the explanation for that change?

Mr Sutherland: Basically, you will see that the actual clause here outlines some of the powers that the capital corporation would be doing. While it may be implied that leasing could be one of them, we thought it was important to add that, just for the purposes of clarity, to understand that this may be one area they may look at in terms of how the deals or how the arrangements are made for construction of highways or for whatever other activities, not only construction of highways but any of the activities that are undertaken.

The Chair: Questions, comments?

Mr Phillips: I'll begin with the whole of section 40. Is it appropriate to deal with that now, or do I have to wait till we deal with 40(a)?

The Chair: I think perhaps it would be easier to deal with 40(a) initially. We will deal with the whole section following any amendments that may be made.

Further questions or comments to Mr Sutherland's amendment? Shall Mr Sutherland's amendment to clause 40(a) carry? Carried.

Mr Sutherland, do you have another?

Mr Sutherland: I move that section 40 of the bill be amended by adding the following subsections:

"Delegation of power

"(2) Without limiting the powers or capacities of the corporation, for the purpose of carrying out its objects, the corporation may delegate its powers with respect to the collection of tolls and may, in the delegation, provide for their use by the delegate.

"Delegation subject to conditions

"(3) A delegation under subsection (2) shall be in writing and may be subject to such limitations, conditions and requirements as are set out in it.

"Subdelegation

"(4) In a delegation under subsection (2), the corporation may authorize the delegate to delegate to others the exercise of the delegated power, subject to such limitations, conditions and requirements as the delegate may impose."

The Chair: An explanation for this motion?

Mr Sutherland: Sure. Basically what we're saying is if for example you're looking at the Highway 407 project, as you're aware, there are consortia coming together to look at the project. They may want to have some form of subcontractor or whatever do the actual tolling or collect the tolls on their behalf. This amendment would allow that process to occur.

The Chair: Questions, comments or amendments to Mr Sutherland's motion to section 40?

Mr Arnott: Just a question of clarification. The legislation as it's written, without the government amendment, would preclude a subsidiary or a subcontractor from collecting a toll on behalf of the contractor?

Mr Sutherland: We didn't think it did preclude it, but we thought this was necessary for clarification purposes so there wouldn't be any uncertainty about it.

The Chair: Further questions or comments? If not, shall Mr Sutherland's amendment to section 40 carry? Carried.

Now, section 40, Mr Phillips.

1420

Mr Phillips: I have a couple of concerns. The term "expropriate and use any land" seems on the surface fairly broad, but maybe I don't understand what's in a lot of other bills and maybe this is very common. But as soon as the word "expropriate" appears, I think public bodies start to at least ask questions. I'd like to know whether this is a very normal power or whether this is an extraordinary power and how that power could be used.

I have a similar question, I guess, on "establish" the tolls. I gather what this means is that it will be the sole responsibility of the Ontario Transportation Capital Corp to set its tolls, and it's not subject to any review by any public body. Is that the intent of (c), and if so, are there no appeal mechanisms available for either public jurisdictions or business sectors that may feel the toll rates that have been established are unfair?

Mr Sutherland: Just in terms of clause (b), it's understood that the word "expropriate" is in reference to the Expropriations Act, so it's not giving any more authority than would be available under the Expropriations Act.

With regard to the establishment and collection of tolls, I think, as I said earlier this morning in another discussion about this issue, parameters, criteria of how the tolls will be established are a decision of the government and of the cabinet. The actual amount of the tolls, the capital corporation has that ability to set them. The appeal mechanism would be to the minister.

Mr Phillips: Where would that appeal mechanism be here? Where is that spelled out, the appeal mechanism to the minister?

Mrs Stewart: It's not explicit in the act, but it would be noted in the memo of understanding.

Mr Phillips: Has there been an exchange—that's quite an important item—so that it is clear that the final decision on tolls will be the minister's decision?

Mrs Stewart: The final decision on the policy behind tolls. What range the tolls may be would be up to cabinet and the minister representing the corporation there.

Mr Phillips: I thought I understood you to say that the appeals on tolls would be to the minister and that would be in the memorandum of understanding.

Mrs Stewart: Yes, in the normal sense that the public certainly can appeal to the minister with a number of concerns.

Mr Phillips: So if a municipality doesn't like the toll that's been established, the appeal is to the minister and the minister has the authority then to change the tolls?

Mrs Stewart: The minister within cabinet certainly has the authority to establish the framework for tolls and, I would imagine, would have the authority to change the tolls. There's certainly nothing in the legislation that prohibits that, by any stretch.

Mr Phillips: Would it not be normal that you then would say that they recommend tolls to government for final approval, or whatever the right legal definition is? Would that not be normal, to incorporate what you just said?

Mrs Stewart: That's the kind of terminology we use in describing the process but not normally the kind of terminology that would be in legislation, as I understand it.

Mr Phillips: Can someone help me here? The way I read this right now, if I were the corporation I'd say, "We have the final authority to establish the tolls." That's how I would read this. But what you've just said is no, they don't have the final authority to set the tolls; that is subject to approval by the government.

Mrs Stewart: The direction that would come from the minister and from cabinet would be related to proposals that may establish a range within which tolls could be set and certainly establish the purposes and the policy behind the toll. Within that framework, the corporation could set the specific toll, which may vary depending on how the toll was used. For example, if the toll was going to be used to pursue a policy objective of controlling congestion, the actual amount of toll might change, depending on the time of day, and that kind of decision, relating to the establishing of tolls, indeed would be up to the corporation.

Mr Phillips: I think we're playing games with words here, but the way I read this is that the authority has the final decision on the toll. They will set it and there is no appeal mechanism here, as I read it, as opposed to Hydro trying to set its rates and there's an appeal mechanism there.

The Chair: Perhaps legal counsel could be useful.

Mr Donald Revell: If I could just have a minute to consult with Ms Stewart on this, I might be able to resolve the issue, so if I could just have a second.

Mr Brian Swartz: I'm Brian Swartz, solicitor with the Ministry of Transportation.

That section you're talking about has to be read in context with both 16(1) and 47(2). The way the tolls will be established will really be contingent upon the type of financing that is in place on any given project, and that type of financing will differ from project to project, depending on how a financing is structured, whether the Ontario Transportation Capital Corp itself does a bond issue or whether it enters into a joint venture agreement with the private sector.

In any event, the toll level will be predicated upon a traffic and revenue study that's prepared in connection with the project. That study will tell both the financing community as well as the government what the market will bear in terms of sensitivity and what the projections in terms of traffic flow and revenue flow will be at various price levels.

What would happen in terms of a practical application of this section would be a proposal—and I'll talk about 407, because that's real and it's happening right now. The ministry will be receiving proposals from two consortiums which will, among other things, include desired toll levels. Those proposals will be evaluated and submitted to cabinet.

The direction that we get under 16(1) from the minister will be part of the selection criteria and evaluation criteria, but ultimately cabinet will be approving the recommendation of the ministry and will be approving the framework for establishing the tolls throughout the financing of that project. The framework will be a complicated framework in terms of what the toll levels are going to be at any given time, but basically the

mechanism for regulating that will be established in the proposals that come to us.

Mr Phillips: I'll just try to be as practical as I can. In about five years, let's say, the 407 opens up and there is a toll established for trucks and cars and all that sort of stuff. Who approves that toll level, the minister or the agency?

Mr Swartz: Cabinet will approve the framework in advance as part of the agreement for the development of the project, and the framework will set out how tolls are set. There will be a range of tolls. It could be that during rush hour you might want a higher toll to discourage traffic; off-peak hours you might want a lower toll.

Mr Phillips: I understand all of that, but when they say it will be 40 cents a kilometre, is the final approval of that the agency or the minister?

Mr Swartz: No, cabinet would give final approval. Cabinet would set the maximum toll level because there are other implications as well.

Mr Phillips: I'm anticipating that when the toll is set there'll be some hue and cry. I want to know whether the answer is, "I'm sorry, the agency has authority to set that; we give them the framework but they set it," or: "Thank you for your input. They've recommended 40 cents to us. We'll be making the final decision."

1430

Mr Swartz: The final decision is cabinet, and cabinet will set the ceiling.

The Chair: Further questions or comments regarding section 40?

Mr Wiseman: My question actually has a further clarification on what Mr Phillips was just saying.

If cabinet is going to have the final decision, that of course would have to be premised on the decision on the cost of the highway, the recovery rate, the interest charges and all of those factors factored in to make sure that the tolls do not become an increased burden of debt.

If you read the 1988 Auditor General's report from the federal government, there's a bridge in New Brunswick that started at \$19 million in 1964, I believe, and now owes \$64 million because of this lack of realistic tolls.

Is that the way it will be determined in terms of the suggested rate to cabinet?

Mr Swartz: Every project is going to be different, and in the case of 407, when the traffic and revenue study is complete, it's going to have a comprehensive analysis of what individuals' stated preference of value of time is. Based on that and the traffic figures that are forecasted, it will recommend a level of toll that will generate maximum revenue and traffic.

Having said that, that's going to determine the rate that the facility can be repaid, and the lending community is not going to lend if the revenue is not there to repay it in the time frame that it envisages lending.

I don't know what you're referring to in terms of another project, but it sounds like the revenue wasn't there to satisfy the debt requirements. In this case, unless the projections are bankable, financeable, believable, the financial community is not going to lend unless it's convinced that the revenue, at the toll rate recommended, is achievable.

Mr Wiseman: Have there been any studies done on using, say, toll roads in the United States or so to determine any ratios of car usage to lanes to miles, or would you know that?

Mr Swartz: Yes, there are studies, and we currently have commissioned a study that's ongoing right now which will give us a comprehensive analysis of traffic patterns, of revenue projections and traffic projections for Highway 407 when it's completed. When that report is available, then we will be able to ascertain what a toll level ought to be.

Mr Wiseman: Would all of that information that you're gathering be open to the public to peruse to be able to determine if the number of lanes that are being built is adequate to take care of the flow and that kind of question?

Mr Swartz: At some point. At this stage right now we're currently in the process of undertaking a competition and we are right now evaluating value engineering assessments that were done for the ministry by the two consortiums. What that is is a look at the engineering the ministry has currently done and seeing where savings can be made in terms of the value of engineering it. It involves a number of things, and lanes is one of them, but it's all part of the evaluation process. At the end of the day, the Ministry of Transportation has a commitment to safety and good roads in the province and that's not going to be sacrificed.

Mr Wiseman: Well, here's my fear about the tolls and the roads, and that is that when you get the studies back, you may find that the number of lanes that can be built, given how much it costs to build a mile of road in these days, is fewer lanes than are necessary to carry the traffic but are the maximum number of lanes capable given the financing that's available, and so you have a very big problem. Did you follow that?

Mr Swartz: I understand. On the other hand, you want to build the maximum number of lanes to handle the traffic to avoid congestion and that will improve revenue flow, because on a congested road people won't drive on it if they can't save time and they won't pay the toll. So there's a balancing there that says the best toll road is one with tolls that are affordable that isn't congested.

Mr Wiseman: Supply and demand.

Mr Swartz: Yes.

The Chair: Further questions or comments to section 40? If not, shall section 40, as amended, carry? Carried.

Section 41: We'll deal with subsections (1) and (2). Questions, comments or amendments, subsections 41(1) and (2)? Shall subsections 41(1) and (2) carry? Carried.

Mr Sutherland: I move that subsection 41(3) of the bill be amended by adding after "builder" in the second line "lessee."

This is just another amendment building upon the previous one talking about the ability to carry out leasing.

The Chair: Questions, comments or further amendments? Shall Mr Sutherland's amendment to 41(3) carry? Carried.

Mr Sutherland: I move that subsection 41(4) of the bill be amended by adding after "builder" in the second line "lessee" and after "builder" in the fifth line "lessee."

The Chair: In the fifth line?

Clerk of the Committee (Mr Franco Carrozza): Where it says "fifth" it should be the "last" line.

The Chair: It should be the "last" line.

Mr Sutherland: Okay. Could I move that again? I will withdraw what I just said and try it one more time.

I move that subsection 41(4) of the bill be amended by adding after "builder" in the second line "lessee" and after "builder" in the last line "lessee."

The Chair: Questions, comments? Shall Mr Sutherland's amendment to subsection 41(4) carry? Carried.

Shall section 41, as amended, carry? Carried.

Thanks to the clerk because he can count the lines for us.

Sections 42, 43, 44 and 45: Questions, comments or amendments to any of those sections? If not, shall sections 42, 43, 44 and 45 carry? Carried.

Section 46.

Mr Sutherland: I move that the French version of subsection 46(1) of the Bill be amended by inserting after "environnementales" in the fourth line "de portée générale."

The Chair: An explanation?

Mr Sutherland: Yes. I believe "de portée générale" is equivalent to the word "class" in the French meaning and the purpose of these provisions is to statutorily recognize the existence of the class environmental assessment.

The Chair: Questions, comments?

Mr Cousens: Are there any other areas—I mean, it's one of those areas where you go by trust. How did you

find that mistake? Were you the researcher who went through this and—

Mrs Mathysen: This is the third time, Don. We've heard this speech three times.

The Chair: Order.

Mr Cousens: It gets better every time, if you'd let me go with it.

Mrs Mathysen: No, it doesn't.

Mr Cousens: Well, Irene, I have no way of knowing. I don't usually look at the right-hand side of the page, though I'd like to. So in what way are you sure and can you give us some assurance that the French version, except for the amendment you've proposed, plus another one that's forthcoming—

Mr White: Trust me.

Mr Cousens: "Trust me." That's the last thing I want to hear from you guys—is an accurate reflection of what the English says?

Mr Sutherland: Well, I certainly wasn't the person they relied on. My French is not that good, but I learned a long time ago, a few years ago anyway, that at some point you do have to trust people who know more than you do about a certain area and subject area and I'm relying on the judgement of either the translators or legal or someone who is more bilingual than I am to catch that.

1440

Mr Daigeler: I'll vouch for the skill of the translation. The current texts are "class."

Mr Sutherland: There we go.

Mr Phillips: Good enough for me.

The Chair: Thank you, Mr Daigeler.

Mr Cousens: That's what I was looking for: an honest Liberal.

The Chair: Third-party verification. Thank you, Mr Cousens.

Mr Wiseman: Are you saying, "Trust me," on this one?

The Chair: Shall Mr Sutherland's amendment to subsection 46(1) carry? Carried.

Shall section 46, as amended, carry? Carried.

Section 47: We'll deal with subsection 47(1) first. Questions, comments or amendments to 47(1)? Shall subsection 47(1) carry? Carried. Subsection 47(2).

Mr Sutherland: I move that subsection 47(2) of the bill be struck out and the following substituted:

"Same

"(2) Subject to the approval of the Lieutenant Governor in Council, the corporation may make regulations designating as a toll highway,

"(a) any highway, any extension to an existing highway, or any combination of a highway and such an

extension, if the highway, extension or combination, as the case may be, is not being used as a highway on the effective date of any such regulation;

"(b) any highway that is not a controlled-access highway that is rebuilt and designated as a controlled-access highway."

The Chair: Any explanation?

Mr Sutherland: I believe this amendment here is to provide further clarification on what highways might be tolled.

Mr Cousens: I compliment the government for having listened. Certainly we've heard from one delegation, and when I was reading through the bill prior to participating in the debate in the Legislature on second reading, my eye stopped on section 47 and I was surprised that 47 really did not reflect, before he just amended it, what was in the announcements by the government. I felt that it was very much a betrayal of the kind of thing that you were conveying.

Mr Wiseman: "Betrayal" is an awfully harsh word.

Mr Sutherland: I'd like to say "oversight."

The Chair: Order.

Mr Cousens: Or a massive, stupid oversight. But I want to compliment whoever it was. Maybe it was the French translation that came across it and realized it said something. But I'm pleased that you've made the change. It takes away one of the concerns I had. I think that there is a reluctant acceptance of tolls, which is another word for tax, and if it's one way of accelerating the construction of new highways where you otherwise might not see them, then the public seems prepared to accept them. I thought the answer by Mr Gilbert the other day also satisfied me that we're going to be forced to at least have some way in which market forces will determine what the rates are going to be.

Notwithstanding all the side issues, it was important for me, at least, and our caucus that you amend section 47 and I'm pleased to see the change that you've made on that.

Mr Phillips: I'm not sure what this means, really. If you're, again, at all sceptical, you'd say the only way you could ever convert, let's say, 401 into a toll road is to rejig it somehow and make sure there's controlled access. So I could define that as rebuilt and designated as a controlled-access road and then convert it to tolls. I can't imagine this precludes many roads from being converted to toll roads in the province and it just clarifies that in order to convert to a toll road you've got to kind of rebuild and control the accesses. I think under (b), 400, 401, 403 could all be toll roads, or am I wrong there?

Mr Sutherland: Maybe we could ask legal counsel for Transportation to comment.

Mr Swartz: All 400-series highways are currently

controlled-access highways. That clause is put in there specifically to prevent a controlled-access highway from becoming a toll road, so we could not toll Highway 401 under this legislation. What (b) does is to permit us to extend a controlled-access highway such as Highway 416 south to Highway 401 over an existing highway, which is Highway 16. It's clear that the groups, the Better Roads Coalition of Ontario, would support that type of a project, so we needed language that would protect that.

Mr Phillips: I guess Highway 416 and Highway 403 would be caught under (a), would they?

Mr Swartz: Highway 403 would be caught under (a); Highway 416 wouldn't, because portions of it would be going over an existing highway, where Highway 16 currently is. So it wouldn't be caught under (a). That's why we need (b).

Mr Phillips: What would be other examples in (b) that could be designated as a toll road?

Mr Swartz: If you had a non-controlled-access highway, which would be a secondary highway, that would be redeveloped as a 400-series highway, then it can conceivably fit under that section.

Mr Phillips: So any existing 400 highway can't be a toll road unless it's extended?

Mr Swartz: That's right.

Mr Phillips: Then only the extension can be tolled?

Mr Swartz: That's right.

The Chair: Further questions or comments? If not, should Mr Sutherland's motion to subsection 47(2) carry? Carried.

Subsections 47(3) and 47(4), questions or comments?

Shall subsections 47(3) and 47(4) carry? Carried.

Mr Sutherland: I move that section 47 of the bill be amended by adding the following subsections:

"Use of tolls

"(5) Any tolls collected in respect of a toll highway designated pursuant to a regulation shall be used only for purposes relating to the toll highway, including its development, design, construction, financing, refinancing, operation, maintenance and repair and any improvement, replacement, alteration or extension of the toll highway.

"When tolls cease

"(6) Tolls shall cease to be imposed or collected in respect of a toll highway when all costs and liabilities relating to the toll highway, including its development, design, construction, operation or any improvement, replacement, alteration or extension, have been paid or otherwise discharged, and all financing or refinancing in respect of the toll highway, has been paid or otherwise discharged.

"Extended definition of 'operation'

"(7) For the purposes of subsections (5) and (6), 'operation' includes incentive and rate-of-return payments to the designer, developer, builder, lessee or operator of a toll highway."

This amendment, again, is one that I'm sure Mr Cousens will be in support of, because it's one that the better roads coalition was asking for as well.

The Chair: Questions, comments or amendments to Mr Sutherland's amendment to subsections 47(5), (6) and (7)?

Mr Cousens: What's the secret? Sometimes we see the government will listen, and most of the time it doesn't.

Mr Hope: If we told you, it wouldn't be a secret any more.

Mr Cousens: What is it that allows some things to get through their systems and not other things?

Mr Wiseman: The odd time that we agree with you.

Mr Cousens: It seems like a rhetorical question, what the honourable Chairman is saying. I would want an answer. We've had trouble getting answers since September 6.

The Chair: Shall subsections 47(5), (6) and (7), as amended by Mr Sutherland, carry? Carried.

Shall the section, as amended, carry? Carried.

Section 48, questions, comments or amendments?

Shall section 48 carry? Carried.

Section 49, Mr Cousens.

Mr Cousens: I have it here somewhere.

The Chair: Just before we get to you, Mr Cousens, we will do the first part of that if that's all right with you.

Mr Cousens: Whatever you say.

The Chair: Clauses 49(1)(a), (b) and (c): Questions, comments or amendments?

Shall clauses 49(1)(a), (b) and (c) carry? Carried. Now Mr Cousens.

1450

Mr Cousens: I move that the bill be amended by adding the following section:

"(d) facilitating the development and implementation of water and sewage works and services."

The Chair: An explanation for that amendment?

Mr Cousens: This is an objective that I would like to see incorporated into the Ontario Clean Water Agency, inasmuch as it has already been recognized, earlier in the bill, in the Ontario Transportation Capital Corp where, in subsection 39(1), the bill does provide that the transportation capital corporation's "objects include providing financing for transportation programs and projects and facilitating the development and implementation of such programs and projects and facilities and resources related to them."

So what I'm really trying to do is to make it clearer that the agency will in fact be able to work together with the private sector to make significant investments in the province's infrastructure.

I think there are going to be a number of things that happen as we go into the future, and it opens up the legislation to make possible some of the possibilities that we referred to in the presentation by TransCanada PipeLines. The kind of presentation they were making was not specific to their own corporation. I think there could be any number of consortia that would want to take part in this kind of activity. I think there has to be some flexibility that would allow this kind of ongoing development of water and sewage works.

One of the things that comes out is that I think we want to make sure there will be private sector partners wanting to take part in this whole stated goal that the bill is all about, so let's make it clear when we do set the objects. With that in mind, I place this before the committee for consideration and, hopefully, approval.

Mrs Mathysen: I will just comment briefly. I know Mr Sutherland wants to comment. With all due respect, Mr Cousens, I think the purpose in the object of OCWA is to enable municipalities to build, upgrade and finance their infrastructure. That is the whole purpose. The bill, as it is, meets that objective, so I don't see what this would add, since the purpose is already realized in what we have without this amendment.

Mr Sutherland: Just to add to that, it's our belief that the legislation now allows for joint ventures with the private sector. Even without this amendment, such activities can take place.

Interjection.

Mr Sutherland: I guess I should just add too, yes, provided municipalities are involved as well.

Mr Cousens: Mr Hope just said something as well.

Mr Hope: I didn't say anything.

Mr Cousens: I certainly felt that there was merit in presenting this for the committee's review. I think we want to make sure that every effort is made by the government, as you look to the private sector to be involved, to participate, to make that investment up front, that you don't close doors of opportunity. What you really want to do is keep options open for them to want to take part in government.

That's a hard thing to do. It's an attitudinal thing as much as anything. Sometimes it takes just a little bit of effort and gesture of goodwill to show that there is that spirit that says, "We're prepared to look more seriously at it." I think that the kind of worry I saw coming through the PipeLines representatives, which would probably be reflected in private sector interests as well, is that the government has a tendency maybe—it's not proven—within this area to limit its options. What I was seeing this doing was expanding those options and

allowing the government at some future opportunity, sooner maybe than later, to look at these possibilities.

Therefore, it becomes a meaningful move for the clean water agency to look at the development and implementation of water and sewer works and services. It may well be that York region or Wellington or Peel or others may decide to do it themselves. Who knows how they could go about it? There are so many ways in which it can be done.

I'm also extremely sensitive to the environmentalists' view that you just can't look very simply at the transportation of water through pipes. That's not the first resort. That becomes something after considerable environmental review and tremendous thought, and I would assume all those environmental issues would be addressed prior to any such move being taken.

Having said that, I still feel comfortable with causing the committee to consider this, and the words that are spoken here might have some way of giving encouragement where it may be needed.

Mr Hope: Now I will say a few words, when we deal with private sector involvement in the supply of water. I understand where you're talking about partnership with the private sector. One of the very fears most of us have is around the pricing of water, the regulation of pricing. You cannot hold communities hostage. We have a hard enough time with larger municipalities holding smaller municipalities hostage over the water issue. That has to be a very important issue.

Expropriation of land: When you're dealing with massive pipelines, like when TransCanada PipeLines was here talking about supplying water, they're not talking about a strip of land like this; they're talking larger land surfaces with diameters of pipes that are—you talk about the environment later on, digging up land and turning over land. Farmers get very upset when you interrupt their farm land in that nature, and expropriation, so I'm very cautious about that.

Also, one who lives closer to the borders of the United States is worried about how far this export of water or transporting of water will actually go; that is a fear.

Mr Cousens: I think that Mr Hope raises some genuine points. I think the government will always maintain a sense of close monitoring and control over any kind of pricing of water. Certainly that's within the objects of the Ontario Clean Water Agency. But I think you express a concern that everybody has. There's always the fear of being held hostage, and we know water is such a valuable commodity.

Mr Phillips: I actually think Mr Cousens's motion has some merit. I think Ms Mathysen put her finger on the problem for us: You defined the agency as it was originally thought of. It was like a facility for helping to raise money for municipalities to do their infrastruc-

ture. There's another concept of this thing which is much broader, and I think many of the presenters who have come here have talked about it being what I call the Ontario Hydro of water. There's nothing wrong with that. It's looking at it much more broadly, and in fact the minister's note on introducing the Ontario Clean Water Agency says, "Further, the agency will encourage Ontario residents and industries to join the conservator society by using one of the province's most valuable natural resources carefully." I think the minister is seeing OCWA in a much broader context than this bill provides.

I think it's understandable but maybe unfortunate that we didn't deal with this concept in totality. We've dealt with it as a fairly narrowly focused way of potentially new, creative ways of raising money. I have a feeling we'll be back at this some time down the road, in two, three or four years.

I don't know where all this leads other than that I think Mr Cousens's motion doesn't detract from the bill; it adds a little bit of value to the bill. I personally don't have any difficulty supporting it, although I thought Ms Mathysen's comments were helpful. I think that's how the bill has been presented to us. In fact, it's called An Act to provide for the Capital Investment Plan, not what I think we may be—if we could start from scratch, we'd be looking at one bill dealing with, how should the province, in totality, try and deal with its challenge on water? So I don't think the amendment detracts from the bill; it adds a little bit to it and I have no difficulty supporting it.

1500

Mr Hope: Just listening to that around conservation, yes, before you go putting pipes in the ground you have to look at the proper efficiency of the water supply that's there and look at the—we heard that even in the presentations about public knowledge and water conservation. As soon as you put in water meters, let me tell you, water conservation starts to play a big role.

But the other thing I think was very important and which I believe was brought up by one of the staff was about the issue of municipalities and business and government coming as a three-party to do energy conservation around water for a corporation and companies. I know, coming from a rural community, water is a very essential part of the production of food and we are piping water in and out the systems and there's no way of conservation. I find this, as a means of controlling the water supply for the municipality, as a plus. It helps the private sector, it helps the municipality, without having to put more pipes in the ground and make the reservoirs that much bigger, because they can do through energy conservation—just picking that up from one of the staff in their conversations about some of the projects that have been worked out there.

The Chair: Further questions or comments?

Mr Sutherland: Just to repeat that the intent of the Ontario Clean Water Agency is not to be a policy-making agency. Certainly, I think Mr Phillips is quite right, that some of the recommendations that came forward from the different groups would like to make it somewhat the equivalent of an Ontario Hydro in terms of making the policy and deciding that. But clearly, at this stage, it is not going to be a policymaking agency, and I too agree that Mr Cousens's amendment doesn't detract from the legislation. But again, I don't think it adds because some of the arguments put forward were to ensure that private sector participation can occur. The legislation, we believe, already allows for that involvement to occur, but with the participation of municipalities as well. I don't think it's doing anything new; the legislation already allows that to occur.

The Chair: Further questions or comments on Mr Cousens's amendment? Shall Mr Cousens's amendment to clause 49(1)(d) carry? All in favour? Opposed? It's lost.

Subsection 49(2), questions, comments? Shall subsection 49(2) carry? Carried.

Shall section 49 carry? Carried.

Sections 50 and 51, questions, comments or amendments to sections 50 and 51? Shall sections 50 and 51 carry? Carried.

Section 52, Mr Cousens has an amendment to—

Mr Cousens: To clause (b). You may want to deal with (a).

The Chair: All right. We'll deal with (a); good point, Mr Cousens.

Clause 52(a), questions, comments or amendments? Shall clause 52(a) carry? Carried.

Mr Cousens: Clause 52(b): I move that the bill be amended by adding after the word "expropriate," the words "and convey."

Not a difficult concept as far as what could happen, in that what may well happen is that the agency may wish to convey expropriated land or easement to a private sector partner and to do so there would have to be some clear legislative authority to do that. By just adding the word "convey" it gives the ability to the agency to do that.

The Chair: Further questions, comments?

Mrs Mathysen: It's my understanding, and correct me if I'm wrong, under the Expropriations Act if land is expropriated and it's not used for the purpose for which it was expropriated, then the first right of purchase goes back to the original owner. So if the land is expropriated and then is not utilized for water or sewer services, then it must go back to the original owner. They must have first rights. I can't see how this adds anything because unless that land is used as expropriated then it goes back, and this conveying—I have some

concerns.

Mr Cousens: In response, if I may, Mr Chairman, the intent here is not to take away any of the purpose for which the land was originally expropriated, and understanding how it has to be used for a particular purpose. In this case it would be for the transportation of water in a pipe of some kind. Instead of it now being under the specific authority of the agency, it allows them to convey that to another body under whose authority they might well cause regulations and other things to be done.

So it allows further action to be done with it. It would still be used for the conveyance of water, but it might well be in the hands of an authority, subbed out to another group, such as if a corporation such as Interprovincial Pipe Line were to have access to it and were to be asked by the province, "Hey look, we know you could run it better than we are able to, and therefore we've got the line, it's there being built, you are now under authority to use it." So they could convey such authority to them. That's really the intent.

Mr Sutherland: It's our understanding or belief that power is already there under the legislation, particularly when you look under section 4 where it gives the agency the power of being a "natural person," that it could do that. So it already could be done.

Mr Cousens: Where do you see it?

Mr Sutherland: Under the abilities, under section 4, that makes a corporation a "natural person" before the law. That would allow it to, for example, convey it or, for a better term, sell it, if they wanted to, for that purpose.

Mr Cousens: It's close to that. That's a better answer.

Mr Wiseman: I'm just a little nervous about the explanation given about the expropriation of land not used for uses that it was expropriated for. The reason for that is because in the north end of my riding there's an awful lot of land that's been expropriated and not used for what it was expropriated for.

It's my understanding that the Ontario government gave itself the power to do whatever it wanted through what's called the Housing Development Act back around 1973, 1974, to be able to use the land for almost whatever it wanted to and to win any of these cases about expropriation in the courts.

If there's somebody out there who can explain to me the status of that and how it might apply to this, then I think I might feel a little more comfortable about the explanation around expropriation of land going back to the original owner than I do right now, because my understanding is that it doesn't necessarily have to happen.

Mr Sutherland: I'm not sure the question you're asking is directly related to what is being proposed as

the amendment. Maybe if we can get someone to provide that to you outside of the committee time, we'll certainly try to do that, okay? But I'm not sure it's directly related to the amendment being proposed by Mr Cousens.

1510

Mr Wiseman: Well, I think it does, because I'm a little nervous about allowing something like the words "and convey" in the legislation if I'm not absolutely clear about what it means with respect to expropriation, because there's an awful lot of land that the government of Ontario owns. That needs to be understood and what its status is within the context of this legislation and within the context of that phrase "and convey" because I'm a little uncomfortable.

Mr Sutherland: Maybe we could have the lawyer for the Ministry of Environment and Energy, Jim Jackson, just give his opinion on whether we need the word "convey" there or not.

Mr Jim Jackson: I'm Jim Jackson. I'm a lawyer at the Ministry of Environment. The amendment is unnecessary because the Expropriations Act does permit the conveyance of land to people other than the expropriating authority with the approval of the approving authority.

The new act you mentioned is probably not necessary in order to enable the land to be transferred to another party. We're only required the approval of the original approving authority. In this act, the ministers responsible for the administration of the individual parts of the act under which the corporations are established are the approving authorities.

Mr Wiseman: So it doesn't have to go back to the original owner if it's not going to be used for the purposes it was expropriated.

Mr Jim Jackson: It has to go back to the original owner if the agency is not going to use it, unless the approving authority approves that it go to somebody else; for example, a municipality that was going to be operating the waterworks in the future or a private sector person who was going to be operating the waterworks or sewage works in question in the future.

Mr Wiseman: Okay.

The Chair: Thank you. Further questions or comments regarding Mr Cousens's amendment to 52(b).

Shall Mr Cousens's amendment to 52(b) carry?

Interjections: No.

The Chair: All in favour?

All those opposed?

It's lost.

Shall 52(b) carry? Carried.

Shall 52 carry? Carried.

Section 53.

Mr Hope: There's a question on that one.

The Chair: On which one?

Mr Hope: Section 53.

The Chair: Okay. Section 53, questions, comments or amendments?

Mr Hope: I've just got a question, because I would like clarification from the Ministry of Environment lawyer, Mr Jackson, on what they called the issue of transfer and assets and liabilities, clearly defined on the record, because I've been asking through this hearing process about debt that's been allocated to municipalities and I'm wondering if that is now associated in this part of the legislation.

Mr Jim Jackson: The Ministry of Environment, Her Majesty the Queen in right of Ontario, is represented by the Minister of Environment, and now the Minister of Environment and Energy has entered into many agreements, mainly with municipalities.

Under the agreements, assets were built, sewage and waterworks were established, or money was lent, and there's an agreement to repay the money to the Ministry of Environment. Under those agreements, there are also liabilities, obligations to complete works that are under construction, obligations to continue to operate works that have been constructed.

Those are all being transferred to the agency and those are the assets and liabilities that are being referred to in that section.

Mr Hope: Okay.

The Chair: Further questions, comments or amendments to section 53?

Shall section 53 carry? Carried.

Sections 54 and 55: Are there questions, comments or amendments to sections 54 and 55?

Shall section 54 and section 55 carry? Carried.

Section 56, Mr Hope has an amendment.

Mr Hope: I do? We don't need to. I need unanimous consent, then, that section 56 of the bill be struck out.

The Chair: Thank you, Mr Hope. That amendment is out of order.

Mr Hope: Okay. Then I'd ask everybody just to vote against it.

Clerk of the Committee: You can't do that. You just vote.

Mr Hope: Well, no, I know; I'm just telling my side to vote against section 56. It's a caucus meeting. We're going to vote against that.

The Chair: Questions or comments on section 56?

Mr Cousens: I've never heard this before, but I'd be interested in some explanation on why Mr Hope wishes to do this. I could be somewhat supportive of these initiatives.

Mr Hope: I'd really love to give you an explanation, but I know Mr Sutherland's back and has been carrying the bill. He's being doing an able job during the process of this week. I'll just turn it back over to him to explain why we are striking out section 56 of the bill.

Mr Sutherland: Okay. On that note, I'm going to ask Jim Merritt from the—if I get it right—clean water transition team to come forward and explain.

Mr Cousens: If you want to go further, we'll help you.

Mr Wiseman: Better not go too far; you might get yourself into deep water.

Mr Cousens: I've been in water all my life, something you guys don't know.

The Chair: Order.

Mr Jim Merritt: This section was originally included with the view that the staff of the agency may, from time to time, be called upon to be inspectors under the Ontario Water Resources Act and, in effect, operate in a regulatory mode. Periodically, there had been times when Ministry of the Environment people had to act this way, and because of the close relationship between operating staff as staff of the Ministry of the Environment, there had been perhaps some crossover roles in bringing this in. We've now looked at it and feel that if the Ministry of Environment and Energy does want to, from time to time, have staff of the clean water agency perform an inspection duty on its behalf, the minister may still appoint that person to do that inspection, but it would be clearly done at the minister's request and not at the will of the agency to do those inspections.

1520

The Chair: Further questions or comments on section 56?

Mr Phillips: I think I understand that, but it gets to the point we've raised before, and that is the potential for conflict with the Ministry of Environment being both the supplier of the water and the judge of the quality of it. As they say in the private sector, the product quality people are always separate from the manufacturing people, because they're the judges of the quality. I think your explanation just highlighted the potential conflict. The bill isn't going to change, it's going to go ahead, but when the Ministry of Environment's responsible for running the plants and also for monitoring the quality, there's clearly the potential for conflict. But there it is; that battle has been fought.

The Chair: Further questions or comments on section 56? Shall section 56 carry? All in favour of section 56? All opposed. Section 56 is lost.

Subsections 57(1) through (5): Do members have questions, comments or amendments to subsections 57(1) through (5)? If not, shall subsections 57(1) through (5) carry? Carried.

Mr Phillips: I move that section 57 of the bill is

amended by adding the following subsections:

"Appeal

"(6.1) A municipality that objects to a regulation made under subsection (1) may appeal to the Ontario Municipal Board within 30 days after the coming into force of the regulation by filing with the secretary of the board a notice of appeal stating the objection and the reasons for it.

"Hearing

"(6.2) On an appeal to the board, the board shall hold a hearing to which the municipality and the agency are the parties.

"Notice of hearing

"(6.3) The secretary of the board shall notify the parties of the time and date of the hearing at least 10 days before the matter is to be heard.

"Disposition

"(6.4) On deciding the matter, the board may,

"(a) dismiss the appeal; or

"(b) allow the appeal in whole or in part and order the agency to amend the regulation as the board directs."

The Chair: An explanation, Mr Phillips?

Mr Phillips: This came from one of the presenters over the last couple of days. The purpose of this is firstly, as I see one of the opportunities of the agency, to pull together several municipalities on joint projects. I think, as a matter of fact, that's stated in this thing. I think it makes sense that the solution of water problems in many respects probably is across many municipalities. That's never an easy job.

I think there's a risk that some municipalities will be hesitant to enter into these arrangements if the final arbiter of the rates is OCWA, the agency. I think, as I understand the numbers, roughly 80% to 85% of the charge for water in a municipality could come from the section of the cost associated with the agency; in other words, the obtaining and processing of the water as opposed to the distribution of the water. My worry here is that there will be some municipalities, as I say, reluctant to enter into a rational agreement if they are apprehensive that down the road they will be forced into accepting a rate from the agency over which they have no opportunity for appeal. That's the purpose of this, to, I hope, facilitate joint projects by providing some comfort to a municipality that feels that, in some form or other, the agency's not been fair to it and it has no redress. My understanding is that there are similar appeal mechanisms in other regulated areas. I guess the other advantage of this is that, for those of us who are apprehensive about where water rates may be heading over the next little while, there's some comfort for municipalities, that they have some appeal mechanism.

Mrs Mathysen: I think we have to state very

clearly here that, firstly, municipalities are not compelled to enter into agreements. They enter into agreements with OCWA by choice. The Ontario Clean Water Agency will have to be competitive in order to attract the business of municipalities. They will have to provide a competitive program or opportunity. In terms of municipalities being forced, in terms of cost, they go to OCWA; it's not something that's forced upon them.

Secondly, once those contracts are in place, once the municipality contracts with the clean water agency—or before, actually—they determine what it's going to cost the municipality. They have various instruments to look at this contract and come to an arrangement. I think that your concerns are not really particularly well founded, since there's no compulsion.

Mr Phillips: If I might respond to that, of course there's no compulsion, but two things: One is that, in many respects, for the really rational decision to be made, it may be that eight or nine municipalities should be involved in it. There may be a couple of municipalities that choose to not be involved because, after all, these are not one-, two-, three-year arrangements. We're talking about, I would think, 50-year arrangements, where a municipality is saying, "This is how we're going to provide our water for 50 years."

My worry is that there will be municipalities that will choose to not participate in this agency because they are apprehensive about the unilateral ability of this agency to set rates down the road. They may be able to see the next five-year agreement without much doubt, but the agency will have to have some flexibility for the next 50 years built into the contract. If you're one of those municipalities apprehensive about whether this is going to be a fair treatment or not, I think you would get a level of comfort to participate in it if you thought there was an appeal mechanism you could go to, if you didn't feel you were being treated fairly by the agency in setting the rates. I understand nobody, zero people have to participate in it, but I'd hate to see two or three municipalities in a geographic area that don't participate in it but should because of their worry about the rate-setting mechanism.

Mr Arnott: If I may add to that in support of what Mr Phillips is saying with respect to his motion, certainly there could be a case where, during the course of this project, two or three municipalities are absolutely essential to the development of the project, two or three that don't wish to participate because of long-term concerns. Municipal government, in many cases, does think in the long term and the extreme long term. It's important to give them a little bit of further clarification and greater certainty, and the appeal mechanism—going to the Ontario Municipal Board—does that. The Ontario Municipal Board is very busy with all the statutory obligations it has right now, such that the delays are up to 15 months for hearings, but that's the logical mech-

anism to go through, I think, and I would support them all.

Mr Sutherland: I guess I'm not quite understanding what the point here is. I mean, all the conditions, in terms of the financing, are all going to be put up front. They're going to know that if they agree to enter into the process or decide not to enter into it in the first place. If it's financed over a 20-year period, once that period's over with, I'm not seeing where the problem is. They know what the costs are up front in terms of where the deal is, so I'm trying to understand the point of this amendment.

Mr Phillips: I'll try once again. I think we're going to see logically down the road, as the solution to municipal water problems, joint cooperation between many municipalities. Any arrangement will likely be long-term, many years—20 or 30 years. The arrangement, I suspect, will set out the rates for a two- to three-year period and then will set out the mechanisms for determining them down the road. There will be certain uncertainty on that. Each municipality will think, "I'm not sure what our rates will be; I'm not sure whether we'll be treated fairly in the future."

With this agency having the responsibility in the end to set the rates, without appeal—once it has set the rates, you pay the rates—you will not be able to set in the contract the rate you're paying five, six or seven years from now. You may set out some principles but not the rate. I'm worried that we're going to see many municipalities that would participate if they had some feeling that they had some opportunity for an appeal if they were treated unfairly on the rates.

This gets, I guess, to the heart of the legislation where it's a little bit like the tolls that I talked about earlier. There's an awful lot of authority, in this non-elected body, for setting water rates. I think there'll be some elected municipal people who will be apprehensive to turn that final responsibility over to a third party without appeal.

1530

Mr Hope: Mr Phillips does raise a point, but I guess where it is, when you're starting with a new regional water supply system, that is already laid out right in the plans. When you talk about adding water lines and everything else, that's all built into your fiscal plan. For the next 25 years you know what your water rate is, you know what your reserve fund is, you know everything up front. That's already laid out. I know from experience. I went through that in an eight-year battle with the north Kent water system. That is laid out, showing all the capital improvements that are there. They know what the cost of the water is going to be for that year. That is laid out in black and white for them.

I guess I'd have to ask ministry officials, but under our current regional water distribution systems, how is the water rate now set for regional water distribution

systems? Do we have that answer?

Mr Sutherland: Maybe we could have Mr Jackson and Mr Merritt comment on this proposed amendment.

Mr Jim Jackson: There are several different ways under which regional water systems are established. One can be issuing, by a director of the Ministry of Environment and Energy under the Ontario Water Resources Act, an order which doesn't come into effect until after there's been an Environmental Assessment Board hearing. That Environmental Assessment Board hearing, among other things, sets the rates. The rates that are set can be varied, but only by an order of the director. The director, whenever he makes an order under the Ontario Water Resources Act, is already subject to an appeal mechanism; there's an appeal to the Environmental Appeal Board.

The other way of establishing regional waterworks is by contract. The contract either provides for a very precise mechanism for establishing the rates and amortization schedule, over a particular period of time, for principal and interest plus the actual operating costs, or it provides for a blended rate that is expressed per unit of water consumed. In that case, the agreements themselves provide for appeals to the Lieutenant Governor in Council.

I note there's a further appeal from the Ontario Municipal Board to the Lieutenant Governor in Council under the Ontario Municipal Board Act. In both of those cases you have an appeal, one to the Environmental Appeal Board and one to the Lieutenant Governor in Council, the ultimate appellate authority from the Ontario Municipal Board.

If the corporation were setting rates that appear not to be following established cost recovery principles, then under section 4 of this bill, the Lieutenant Governor in Council or the minister can give directions to the agency as to how it will set the rates.

The Chair: Questions or comments on Mr Phillips's amendment? If not, shall Mr Phillips's amendment to subsection (6) carry?

All in favour? Opposed? Mr Phillips's amendment is lost.

Subsections 57(6) and (7), questions, comments or amendments? Shall 57(6) and (7) carry? Carried.

Shall section 57 carry? Carried.

Questions, comments or amendments, sections 58 through 68, inclusive?

Shall sections 58 through 68, inclusive, carry? Carried.

Questions, comments or amendments, subsections 69(1) and (2)?

Shall subsections 69(1) and (2) carry? Carried.

Subsection 69(3):

Mr Sutherland: I move that the French version of

subsection 163.1(1) of the Municipality of Metropolitan Toronto Act, as set out in subsection 69(3) of the bill, be amended by striking out "municipalité" in the second line and substituting "communauté."

The Chair: Questions or comments on Mr Sutherland's amendment to the French version of subsection 69(3)?

Shall the amendment to subsection 69(3) carry? Carried.

I suppose we actually should consider the English version of 69(3) also.

Shall 69(3) carry? Carried.

Shall section 69, as amended, carry? Carried.

Sections 70, 71 and 72, questions, comments or amendments?

Shall sections 70, 71 and 72 carry? Carried.

Subsections 73(1) through (11), questions or comments? Shall subsections 73(1) through (11) carry? Carried.

Mr Cousens: I move that the bill be amended by substituting subsection 15(2) of the Ontario Water Resources Act by:

"(2) Despite any other act, and upon obtaining all necessary approvals under the Environmental Assessment Act and the Ontario Water Resources Act, the agency, its employees and agents may for the agency's purposes, without consent and without compensation lay, maintain, use, repair, alter or replace the pipes and the appurtenances to them that the agency considers necessary, in, upon, through, over and under any lands."

1540

The Chair: An explanation, Mr Cousens?

Mr Cousens: If I may, there are a couple thoughts that I have. Subsection 73(12) of Bill 17 now does provide that the Ontario Clean Water Agency and its agents, "for the agency's purposes, without consent," may "lay, maintain, repair, alter or replace pipes and the appurtenances" in highways and road allowances, and subsection (3) doesn't make it clear that a municipal franchising bylaw, zoning or conformity with its official plan is not required from the municipality in which the pipe will be located.

Given that the pipes will not necessarily be entirely routed through highways and road allowances, this provision would also be made applicable to lands that are not part of the highway or road allowance after the necessary environmental approvals are obtained. This new provision is really different from what we now have in Bill 17 in at least three ways: The words, "Despite any other act, and upon obtaining all necessary approvals under the Environmental Assessment Act and Ontario Water Resources Act," are inserted at the beginning of the paragraph so that it gives exclusive approval to the authority to act in this regard.

The second difference is that one word is inserted after the word "maintain" and that's the word "use," and it's just a way of saying "maintain, use, repair." It's an application of how the system can be utilized.

Third, the word "lands" replaces the phrase, "highway or road under the jurisdiction and control of any public authority," and it's just more of a generic-type term.

I think it's a rather simple, straightforward amendment and trust it will receive the approval of the members of the committee.

The Chair: Further questions or comments?

Mrs Mathysen: I'm a little concerned about this one. I'm a little surprised, because I know how important the rights of individual property owners are to Mr Cousens.

I have some concerns about giving the agent the authority without consent and without compensation to lay, use, maintain, alter etc the pipes, but I'd like to hear from counsel, Mr Jackson from the Ministry of Environment and Energy. I hope he can help me on this one.

Mr Jim Jackson: The amendment does appear to make the expropriation provision that is elsewhere in the act unnecessary since it does authorize the use of private property without consent and without compensation. I don't think the agency wants to be able to use private property without consent and without compensation. Normally, of course, it would enter into an agreement with the private property owner and pay an appropriate price, but in the event it can't enter into an agreement, it's prepared to use the expropriation mechanisms that are available under this act and the Expropriations Act.

The other change that restricts it to only doing this after it has obtained all necessary approvals under the Environmental Assessment Act and the Ontario Water Resources Act, that's already provided for in the Environmental Assessment Act and the Ontario Water Resources Act. It's illegal to proceed with an undertaking that needs an approval under that act unless you have an approval, and it's illegal to proceed with the sewage works or waterworks under the Ontario Water Resources Act unless you have the appropriate approval under that act. So that part of the change I don't think adds anything.

Although it's not transparent by looking at this bill, the other acts contain prohibitions in them.

The Chair: Further questions or comments?

Mr Cousens: If I could just comment back, when you read the original section of the bill, it does say there, "The agency, its employees and agents may for the agency's purposes, without consent and without compensation, lay, maintain, repair..."

Mr Jim Jackson: Yes, that's on roads.

Mr Cousens: So then why can it not apply as well to another agency?

Mr Jim Jackson: The Ontario Water Resources Commission and then the Ministry of Environment and Energy have always had the authority to use municipal roads and provincial highways, for that matter, without consent or compensation so that the authority that's building the sewage or waterworks isn't building up artificial costs to buy an interest in land that is already publicly owned which would artificially increase the costs of providing the sewage or the water service. Since it has already been paid for by the residents of the province or the residents of the municipality, it was always felt that there was no need to pay for it twice, for roads.

Mr Cousens: I approve of that as well. It makes good sense. You don't accept the logic then that it can also apply to other things such as this?

Mr Jim Jackson: I don't think it's appropriate for somebody to be able to build sewage works or a water pipeline across anybody's backyard without paying them an appropriate price for the use of their property or the inconvenience they may suffer during the construction, if their own real estate is being used.

Mr Cousens: I think I'm going to, with the permission of the committee, withdraw this amendment on the basis of what has been said, because I think there are some concerns that have been raised that concern me. So I ask the permission of the committee.

The Chair: Mr Cousens has withdrawn his proposed amendment to subsection 73(12). Questions or comments on subsections 73(12) through (50)? Shall subsections 73(12) through and including (50) carry? Carried.

Shall section 73 carry? Carried.

Section 74, questions or comments? Shall section 74 carry? Carried.

Section 75, questions, comments or amendments? Shall section 75 carry? Carried.

Questions or comments on section 76? Shall 76 carry? Carried.

Section 77, questions or comments? Shall section 77 carry? Carried.

Shall the preamble to the bill carry? Carried.

Shall the French translations of the amendments—

Mr Cousens: Any guarantees?

The Chair: Mais oui—that have been made to the bill carry? Carried.

Shall the bill, as amended, carry? Carried.

Shall the bill be reported to the Legislature? Agreed.

We have completed the committee's work. We'd like to thank the able assistance of the clerk, of the researcher, of legal counsel and certainly of all the ministry people who have had the patience to sit through this process.

Mr Sutherland: Just one more piece of business.

The Chair: Oh, no.

Mr Sutherland: I believe we have the letter that was requested that the ministry sent to the auditor, indicating that we'd be putting some of the proposals out of its recommendations for legislative changes in the memorandum of understanding. I believe we have that now and we'll table that for folks.

Mr Cousens: As you've thanked everybody else, I'd just like to commend the Chair for doing an excellent job in conducting the affairs of this committee.

The Chair: Thank you. We have the letter, which has been circulated. I would also like to thank the members for their indulgence and diligence during this process this week, and would remind all members of the committee that we will be commencing on Monday afternoon at 1 o'clock for the consideration of Bill 40. So thank you very much, and thanks to Hansard and Hansard recording. We'll see everybody Monday.

The committee adjourned at 1549.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

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***Vice-Chair / Vice-Président:** Daigeler, Hans (Nepean L)

*Arnott, Ted (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

Fletcher, Derek (Guelph ND)

Grandmaître, Bernard (Ottawa East/-Est L)

Johnson, David (Don Mills PC)

*Mammoliti, George (Yorkview ND)

Morrow, Mark (Wentworth East/-Est ND)

Sorbara, Gregory S. (York Centre L)

Wessenger, Paul (Simcoe Centre ND)

*White, Drummond (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Cousens, W. Donald (Markham PC) for Mr David Johnson

Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

Mathysen, Irene (Middlesex ND) for Mr Fletcher

Phillips, Gerry (Scarborough-Agincourt L) for Mr Sorbara

Sutherland, Kimble (Oxford ND) for Mr Wessenger

Wiseman, Jim (Durham West/-Ouest ND) for Mr Morrow

Also taking part / Autres participants et participantes:

Ministry of Environment and Energy:

Jackson, Jim, legal counsel

Merritt, Jim, executive director, clean water transition team

Ministry of Finance:

Kagan, Ken, legal counsel

McKendrick, John, senior analyst, fiscal planning branch, treasury board division

Madden, John, assistant deputy minister, office of the treasury

Stewart, Barbara, executive coordinator, treasury board division

Sutherland, Kimble, parliamentary assistant to the minister

Watson, Robert, director, capital markets research branch

Swartz, Brian, legal counsel, Ministry of Transportation

Tomlinson, John, legal counsel, Ministry of Education and Training

Clerk / Greffier: Carrozza, Franco

Staff / Personnel:

Anderson, Anne, research officer, Legislative Research Service

Revell, Donald L., chief legislative counsel

Wernham, Christopher, legislative counsel

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**Legislative Assembly
of Ontario**

Third Intercession, 35th Parliament

**Assemblée législative
de l'Ontario**

Troisième intersession, 35^e législature

**Official Report
of Debates
(Hansard)**

Monday 23 August 1993

**Journal
des débats
(Hansard)**

Lundi 23 août 1993

**Standing committee on
general government**

**Community Economic
Development Act, 1993**



**Comité permanent des
affaires gouvernementales**

**Loi de 1993 sur le développement
économique communautaire**

Chair: Michael A. Brown
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Monday 23 August 1993

The committee met at 1306 in the Humber Room, Macdonald Block, Toronto.

COMMUNITY ECONOMIC
DEVELOPMENT ACT, 1993

LOI DE 1993 SUR LE DÉVELOPPEMENT
ÉCONOMIQUE COMMUNAUTAIRE

Consideration of Bill 40, An Act to stimulate Economic Development through the Creation of Community Economic Development Corporations and through certain amendments to the Education Act, the Municipal Act, the Planning Act and the Parkway Belt Planning and Development Act / Loi visant à stimuler le développement économique grâce à la création de sociétés de développement économique communautaire et à certaines modifications apportées à la Loi sur l'éducation, à la Loi sur les municipalités, à la Loi sur l'aménagement du territoire et à la Loi sur la planification et l'aménagement d'une ceinture de promenade.

The Vice-Chair (Mr Hans Daigeler): I'll call the meeting of the standing committee on general government to order. We're here today to begin discussions and public hearings on Bill 40, the Community Economic Development Act, 1993.

MINISTRY OF MUNICIPAL AFFAIRS

The Vice-Chair: I understand that the minister is not able to be with us. He wrote a letter to the Chair of the committee making reference that he has to speak at the AMO conference, which I think is understandable. He has sent his parliamentary assistant, Mr White, who will be with us during these hearings and who I'm sure will be able to answer, with the help of the officials from the ministry, the questions of the committee members. Without further ado, Mr White, I think you want to make some opening comments.

Mr Drummond White (Durham Centre): It gives me great pleasure to enter the ministry's comments in regard to the Community Economic Development Act. This is, we hope, a positive thrust for municipalities and for local economic sustainability.

The Community Economic Development Act is an important part of the government's three-year, \$300-million Jobs Ontario Community Action program. The philosophy behind both Jobs Ontario Community Action and this bill is that communities themselves, building on their talents, their interests and the resources of all their diverse members, are best equipped and best able to stimulate local economic activity.

Bill 40 covers three main areas. First, it provides a means and support for communities wishing to build upon financial capability and capacity. Second, it

attempts to assist economic recovery through streamlining the plans approval process. Finally, it creates a municipal role in building economic capacity and expands the way that municipalities can provide municipal infrastructure and investment.

Let's talk for a moment about how the Community Economic Development Act provides tools to help communities invest in themselves.

It has become apparent that there are very many good ideas for local development out there, but the very people who have these good ideas often can't get the capital they need to pursue them. Traditional financing institutions often do not meet the needs of entrepreneurs, and many enterprises do not have access to credit or equity financing. This can create an almost insurmountable barrier for those at the entry level to our economy. These barriers are particularly problematic as our communities struggle to recover from the effects of the recession and free trade.

This legislation will help communities overcome that barrier. It gives communities the means to raise their own investment capital and to forge new economic partnerships to provide capital for entrepreneurial opportunities. The legislation makes available a series of tools and mechanisms to help communities build financial capacity. Now, more than ever, such innovative mechanisms are essential.

Two such mechanisms can be created under this legislation: the community loans funds and community investment share corporations. Although these corporations are created under other existing legislation, Bill 40 provides special features including a registration process and other provisions whereby the minister can regulate their operations and activities; a provision for government guarantee of the principal of the securities of these corporations; provisions to protect persons investing in community loan funds and community investment share corporations; and new enabling authority to permit municipal involvement.

Community loan funds, or CLFs, will give local investors a chance to support small businesses in their community. They'll provide credit for those at the entry level to the economy by encouraging members of the community to invest in guarantee pools on deposit at local financial institutions. These guarantee pools will be used to secure loans for local enterprises, generally less than \$15,000. When we speak of an entry level, we should remember that this applies to many older workers who are retraining just as much as it does to youth who are trying desperately to gain their first taste

of economic self-sufficiency.

The boards of directors of community loan funds will have broad community representation and be responsible for reviewing and making final decisions on loan guarantee applications. Loans will be administered by existing financial institutions which agree to work with the board. Money will be raised by the selling of notes. Local investors who put money into these funds will have their principal guaranteed by the province.

The province will also provide startup funding, operating support and technical assistance to sponsors establishing community loan funds.

Borrowers will be eligible for community loan fund assistance if they are unable to obtain financing through traditional channels and have a business plan acceptable to the community loan fund board. They will also need to demonstrate a clear link between the loan and self-employment or the creation of new hiring. The fund will provide ongoing assistance to borrowers through the term of the loan.

Sponsors may include a variety of groups, from local governments and community groups to labour or business.

Community investment share corporations, or CISCs, will be vehicles that provide equity investment in small to medium-sized businesses. These CISCs, which will be set up by local groups, will raise equity funding of up to \$500,000 for local business startups and expansions. CISCs will seek out investors to purchase shares and, in turn, invest the capital in new or expanding local businesses. The CISC will be a for-profit corporation.

Sponsors of the CISC may be, for example, a municipality, a cooperative or an incorporated community-based group.

The CISC, to be governed by a board of directors, will solicit investors through a share document similar to a prospectus. The share purchase will be for a fixed term of up to seven years. The CISCs will be limited to a minority position in terms of the equity capital invested in the target company and voting control of that company.

The initial capital invested by local citizens in CISCs will be guaranteed by the province. The province will also provide startup funding and technical assistance to sponsors establishing a CISC. No rate of return will be guaranteed; the rate of return will depend upon the performance of the enterprise invested in by the CISC.

Out of the overall \$300-million community action budget, we plan to allocate \$10 million for community loan fund guarantees and \$20 million for community investment share corporations.

By putting this money into the hands of communities and encouraging them to direct it where it will do the most good, we believe that the effect can and will be felt. We estimate that over the next five years, 40

community investment share corporations and 35 community loan funds will become operational in communities throughout Ontario. This will help communities contribute to the creation of nearly 4,000 jobs.

Bill 40 will also enable municipalities to participate in the establishment of non-profit community development corporations, nominate members of boards of directors and support corporate operations of those community development corporations.

The community development corporations will be focal points for a wide variety of efforts designed to simulate local economies. Among other things, the CDCs may coordinate implementation of community strategic plans; provide local leadership training and development; and promote and coordinate investment for priority projects and local businesses.

These corporations will mobilize people's time, talents and resources, helping to forge new partnerships, focus efforts and lead the way to stronger, more self-reliant communities.

Community development corporations will be operated by boards of directors that will reflect a wide diversity of community people and local organizations. Directors will be chosen by the membership, which will also include local governments, community groups, labour, business, educational institutions, cultural groups, credit unions, cooperatives, equity groups and other interested citizens.

The government will help interested communities establish these corporations. Some provincial funding will be available to help them get started.

In addition to these new mechanisms, the proposed legislation also facilitates good local investment through the Municipal Act and the Planning Act.

The legislation also amends the Municipal Act to allow municipalities to work with the private sector to finance facilities that benefit the entire community, such as community centre complexes, water and sewage facilities, roads and transit facilities.

Municipalities will also be able to make better use of pooled investment and borrowing arrangements among certain public sector institutions.

The Community Economic Development Act also includes amendments to the Planning Act that will save time and money and will contribute to economic renewal. The changes will contribute to a smoother and more efficient and effective planning and development review process.

This legislation is intended to support the strong, self-reliant local economies which are so important to the financial well-being of the province as a whole. This legislation gives local communities the tools they need to help lead the way to jobs, growth and economic prosperity.

I look forward to hearing my colleagues' comments

and, of course, the presentations that will occur over the next few days.

The Vice-Chair: Mr Phillips, for the Liberal Party.

Mr Gerry Phillips (Scarborough-Agincourt): I too am looking forward to hearing from expert witnesses, the staff and interested parties on the details of the presentation.

There are several things in here that I think are encouraging and interesting. From our perspective, the economy will get rolling not by something that Queen's Park dictates but by individuals and individual corporations having good ideas and being able to expand and to grow. Community-based economic assistance I think is useful and one can't help but be very supportive of that.

Just in terms of the things that I think we'll be wanting to understand better and perhaps have the staff explain this afternoon, and as we have a chance to debate, we can find ways to either alleviate the concerns we might have or fix them.

On the loan program, I want to understand what the provincial guarantee will be around it. My experience in business is that indeed it sometimes is difficult to raise capital or to raise funds. On the other hand, one has to be careful that there are other disciplines when the loans are made, that we are looking at viable propositions, because you don't do anyone a favour, frankly, by loaning them money on a proposition that has a long risk of success or a big risk of failure.

I think we'll just want to make sure as we set these things up that the mechanisms for being helpful to the people these loan funds loan the money to are there. As I say, you don't do anybody a favour by loaning them money for a bad proposition, because most often people who are starting up businesses put an awful lot of their own cash and, obviously, energy into it.

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I think, similarly, on the equity proposal—and maybe we will hear this afternoon how this will work. I think all of us love to own shares and things that are growing. It's only when you own shares in a thing that's losing money that you realize the shareholders are responsible in the end for the losses and, again, I want to know where the province's responsibility starts and ends on the investment share corporations and where we see that one heading.

Making it easier for municipalities and others to embark on creative capital projects is also, I think, an interesting possibility. The thing I think we have to realize is that in many cases, all we are doing is borrowing money in a different way. We had the debate last week here, Mr Chair, as you will remember, on Bill 17, where what Bill 17 was about was borrowing money in different ways. I go back to what I said last week, that when I was chairman of the school board there was

just an endless number of private sector organizations that would love to build a school and lease it to the school board, just an endless number. The problem is that if the school board couldn't afford the capital in the first place, it couldn't afford the lease costs in the second place.

Similarly, I think we'll want to be careful as we structure this thing, particularly when—there is, for example, an old rule of thumb on hospitals that two years' operating costs equals the capital cost of a hospital, so it isn't the capital cost of a hospital one worries about, it's the operating costs. One way in the past that operating costs have been controlled, or tried to be controlled, in health care was through capital. If we allow—I'm not sure whether this bill does it for hospitals, but it does for other things—the leasing of hospitals, which is the case in Alberta, I think—many hospitals are built now by the private sector and leased—I just think we will want to be careful that we don't kid ourselves that suddenly it helps to alleviate our financial challenges. It's just that we borrowed money in a different way and rather than paying off provincial bonds, we are paying off lease costs on developments.

There's a provision in here, as I recall it, for MPPs to comment on these proposals and I'd like to understand the merits of that and why MPPs are going to become involved in it. I think there may be some advantages in it; the disadvantage is, I think, that Ontario in the past has been seen to be an environment where ideas are based on merit, not on whom you know politically. I just want to be sure that we aren't running the risk of the proposals being accepted or rejected on the basis of what political party may or may not be involved in it.

The community development corporations are spelled out fairly sketchily in the bill and here in the opening remarks by the government. I'd like to, as we get into it, find out a little bit more about what these things are planning to do and what benefits will be available to the public.

I think it looks like it's an interesting and important bill. It talks to many of the issues that we've talked about in the Legislature, around how we can help to get the economy rolling, how we can have community-based economic development, and how we can have local communities involved rather than its being done out of Queen's Park. As we head down that road, I think we have a responsibility to make certain we do the best we can to make sure it'll work well. I've tried to outline for the committee some of the things we'll be looking at as we head into the debate.

The Vice-Chair: For the Conservative Party, Mr Johnson.

Mr David Johnson (Don Mills): I guess it's unfortunate that, to start with, this is taking place at the same time the AMO conference is taking place. I presume,

number one, that has limited the participation of the minister and, secondly, I suppose there may be members, mayors and councillors from the various municipalities who may be interested in participating in this debate but are unable to because they may be participating in AMO. I don't know how that sort of situation could be addressed in the future, but it does seem a pity that the two events are going on at the same time and perhaps eliminating the possibility of some participation.

My comments may be somewhat similar to Mr Phillips's in that it seems to me there is some potential in this act. Certainly there is a tremendous need in our economy in this province for the small business sector to be successful. There is a huge job creation potential in the small business sector. I just can't recall the exact number, but I think well over three quarters of the new jobs that are going to be created, it has been estimated, will be with the small business sector. We certainly need to get people back to work and we certainly need to get the economy going, so there is a worthy objective behind this act if the objective is to achieve that, and I think that's what it is.

I might say in that regard that any actions taken will be aimed at overcoming some of the onerous taxes we have in this province, some of which were concocted in the budget this spring. It's interesting that this bill, being entitled Bill 40, is a bill to attempt to encourage the small business community.

I wasn't here last year, but I understand there was another Bill 40 that was before the Legislature—

Mr Phillips: I remember that.

Mr David Johnson: Mr Phillips remembers that bill before the Legislature last year which, by all accounts, had exactly the opposite effect, which was in fact to discourage the business community, to discourage small businesses and certainly to discourage investment in the province of Ontario. So that's just a wee bit ironical.

I'm interested in taking part in the debate over the next couple of weeks and hearing the depositions. Certainly, in terms of a critic role, I intend to be as fair as possible on this because I do think there is merit in the objectives. I think we have to be conscious, though, of these sorts of announcements which sometimes tend to be overblown.

I had an article somewhere in my pile of paper from the Toronto Star of last week which spoke to the Jobs Ontario program. It recounted the history of Fantastic Technology, which is a corporation in Scarborough, and there again the purpose was to be involved in job training, job creation, that sort of thing. This particular business was seeking a grant and received a grant of some \$250,000. It claimed that it would install 30 new workers, get 30 people back to work in the province of Ontario.

Unfortunately, the announcement was made by the

minister about six or seven weeks ago and today the office of Fantastic Technology is bare, all the telephones are out and nobody's employed. The whole thing went bankrupt, I gather. As I understand it, though, no grant money was paid out so at least the taxpayers are happy about that.

But I think it shows that we have to be very realistic and very concerned about the controls, about the discipline; I think Mr Phillips mentioned the discipline. We have to ensure that what we're dealing with is logical and makes sense.

This comes at a time, I might say, when taxpayers are particularly concerned about waste of government money, about government schemes that don't pan out. One only needs to mention the health care fraud that is a very deep concern to the people of the province of Ontario at the present time. Welfare fraud: We had two offices right here in Metropolitan Toronto, within the last couple of months, that did studies that indicated that welfare fraud was about 16%, which represents about \$1 billion a year in tax dollars across the province of Ontario. We need only think of the Workers' Compensation Board and the fraud that is generally acknowledged to be taking place there.

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When we're setting up programs such as this, as legislators I think we need to be most cautious and ensure that the mechanism that is set up is one that doesn't lend itself to fraud or mismanagement.

Now, just one other general comment I guess I wish to make, that the basic premise behind the program seems to be that—and indeed the statement by Mr White today indicated that the banking community is not satisfying the needs of the business sector. I won't dispute that, but I think we can carry that too far. You know, banks can become a favourite target in our society today and I think to some degree at all levels of government it's perhaps useful to find another villain we can shoot at. The general public is not happy with the way the federal government is being run, the provincial government is being run and in some cases even the municipal governments, so find a third party to shoot at and in many cases, I guess, that's the banking institution.

Mr Jim Wiseman (Durham West): They're a big target.

Mr David Johnson: Mr Wiseman apparently would agree. But I might say that if you were to ask the average person on the street who they would rather have investing their money in a business endeavour, particularly one with a higher-than-average degree of risk, and who they would rather have stewarding their money, would it be the banking institution or would it be this government? My guess is that 95% of the people would say, "Give me the banking institution every time." So I think maybe we should keep sight of that.

The banks don't run on continual deficits year in and year out. They have to meet a business plan and they have to put it in operation and be successful. So if the banks have turned down—and this is one of the qualifications in this particular bill—a business application, then it could be because they're not being responsive. That's a possibility.

Mr Wiseman: They won't even write anything under \$5,000.

The Vice-Chair: Order, please.

Mr David Johnson: That's a possibility—

Mr Cameron Jackson (Burlington South): Just because you can't get a loan, Jim. Why don't you listen?

Mr David Johnson: It could be because they've investigated the application and they've investigated this particular business environment and they find it too high a risk, in which case the question is, do we want government money, in the form of a guarantee, backing this kind of a business venture?

That would be an interesting proposition to put to the people of the province of Ontario. I'm sure through these hearings we're going to get the message that, yes indeed, this is a role for government. I'm sure this bill is going to take place, but many taxpayers will have doubts about whether the government should be stepping in and guaranteeing ventures that are in a high-risk category.

I only need think of back—what was it?—a year ago or so when venture capital was proposed to be raised by using pension funds here in the province of Ontario. At that time, I was in the municipal sector and, I can tell you, the uproar was unbelievable. People who never before had ever been involved in politics—staff members at the local level, at the regional level—people who had never taken petitions signed a petition, were not only signing petitions but they were taking them around to their individual departments. They did not want the government investing their pension money—I can tell you that—the money that they had worked many years for, the money that they depended on. They certainly didn't want the government investing that money.

Again, I think that should give us pause and should give us more drive to ensure that the controls are in place such that this money—we're talking about \$10 million through the loan fund, \$20 million through the share corporation, guaranteed money, and I'm not sure how you cap that either. Perhaps Mr White will explain that at some point or perhaps the staff will. How do you cap it at the \$10 million; how do you cap it at the \$20 million? At any rate, even taking the money at those levels, that's a considerable amount of taxpayers' money that's going to be invested and the controls should be in place to make sure it's well used.

I was talking to a member from the private sector this

morning before coming into this hearing and the gentleman said that basically, as a member of the private sector and representing other private sector interests beyond his own, he didn't have any problem with this, but the one question he raised was with regard to what we're really doing here is decentralizing an aspect, perhaps. We're giving the power to local communities to raise funds and to make investments, decentralization of that sort of concept, which he didn't have any problem with, but a parallel he drew was with the non-profit housing.

He said, "I hope there are better controls in place through the community economic development corporation than there are with non-profit housing," because he said that there's a firm belief out there today that non-profit housing, which again is decentralized to the degree that local community groups make decisions, in his view had made many bad decisions, particularly, for example, in the purchase of property. Property was overvalued, they paid too much money for property, property that had formerly been at a peak but over the last two or three years had come down in price. The price being paid was not the realistic market price today but an inflated price, a peak of a few years ago, and in his view this decentralization had led to numerous bad decisions through non-profit housing and he was hopeful that some mechanism would be in place so that wouldn't be duplicated through this particular fund.

Just a couple of specific questions that I'll throw out, and Mr Phillips indicated that he had some questions. Coming from a municipality, having heard the parliamentary assistant's explanation today, I'm still not sure what the municipal involvement is in this whole program. I'd been given to believe that municipalities, other than for perhaps startup grants, maybe operating grants, hopefully very minimal, would not have any financial commitment to this program, that they weren't permitted to actually invest funds. I'd like an answer to that question.

I did talk with a person who sits on the board of AMO and a person who is involved with a large municipality in Ontario, and his recommendation was that unless that was so, unless municipalities were prohibited from getting deeply financially involved in this fund, it shouldn't go ahead, that there should be restrictions on municipalities getting caught in a possible quagmire, because they really don't have a whole lot of experience in these kind of funds. So I would seek some clarification of that.

There is the guarantee we mentioned. I'd be interested if the government has any estimate or any forecast of how much of the \$10 million and the \$20 million for the loan fund and the share corporation that they're guaranteeing up front would actually have to be used in the case of loans that went sour or corporations that weren't successful.

There is some suggestion that both of these vehicles will be eligible for RRSPs, and I wonder if there's any further word on that.

Frankly, I think that's very dangerous. Here again we're talking about people investing money that they're counting on for later in life. You know, it's one thing to have sort of a community spirit and invest some of your excess funds, I suppose, that you know you'll get at least the capital back out of, if no interest, as a GIC sort of investment or current sort of investment, but if you're investing moneys that you're counting on for 10, 20, 30 years from now, an RRSP that you're counting on during your retirement years, I think that needs a second look.

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Basic controls that have been mentioned earlier on salaries, office expenses, for the corporation: It's been indicated—another question—that the operating grants will be on a diminishing basis because it's hoped that over a period of time the funds will be self-supporting. What happens if they're not? Are there any guidelines in place to address that or is there a plan of action in place to address that?

Up front, the community will need to demonstrate an ability to coordinate supervision and mentoring for the businesses. Is there anything more specific on that, any sort of guidelines that the community will have to demonstrate that it's considered able to do that?

Those are some of the questions that I have, and there's a number of others, but perhaps at this time I'll just mention a couple of the points and then leave it at that.

We're wondering if the definition of the qualifying businesses is broad enough. As I understand it, it involves tourism, manufacturing and processing and information and telecommunications. Perhaps when the staff address this, is this a rather narrow definition? I understand that the definition to some degree includes businesses and technology that we'd like to see proceeding. It's sort of the modern age type of thing, but is it practical, and particularly in many rural settings where there may be other kinds of businesses that might be more traditional?

The CISC will be restricted to no more than 40% of the share capital of a business, but I even question, and perhaps the staff could comment on this later, is 40% a bit too high? I just wonder at the balance. That's a considerable investment through the CISC.

I guess with those few comments I will just reiterate again that I'll be looking forward to the next couple of weeks participating in this debate.

The Vice-Chair: Thank you very much, Mr Johnson. Mr White, did you want to have the ministry staff come up now or have some questions first?

Mr White: Yes, indeed. If I could, I just want to say

how much I appreciate the comments from the official opposition and the third party, Mr Johnson, Mr Phillips, very well put questions, and I'm sure that those questions will be addressed. I am certainly aware of the responses to most of them. I'm sure that they will be addressed during the technical briefing which will be happening now.

Perhaps I might introduce first Tania Melnyk, who is director, community development branch, MMA. Tania will be speaking about the community development corporations.

The Vice-Chair: Will we have everybody come up, or do you want to take them one at a time?

Mr White: I thought that would be best.

The Vice-Chair: It's up to you. Do you want to begin then, Ms Melnyk, if you'll introduce yourself again just for Hansard.

Ms Tania Melnyk: My name is Tania Melnyk. I'm the director of the community development branch in the Ministry of Municipal Affairs. I am here with my colleagues from the ministry to provide a number of technical statements on the key components of the Community Economic Development Act, Bill 40, which is before you for consideration. My responsibility here today is to present the standing committee with a technical statement on the community development corporations referred to in the Community Economic Development Act. This technical statement will outline the program's purpose and objectives, the program concept, the program's characteristics and the provincial and municipal roles.

The community development corporation initiative, a key component of Jobs Ontario Community Action, is a vehicle designed to promote coordinated and inclusive community economic development action across Ontario. It should be emphasized that community development corporations are an option that communities may choose to adopt to formalize the broadly based community partnerships that may have been established in the development of the community strategic plan.

Its objectives are twofold: first, to assist communities to establish organizational vehicles capable of mobilizing local resources and coordinating action on community-defined strategic priorities; and secondly, to provide communities with a means to foster broad participation in the local economic development decision-making.

In 1991, the Ministry of Municipal Affairs consulted with communities across Ontario around its proposed new initiatives in support of community-based economic development. Many communities advised that they did not have the capacity to deliver some of these community economic development initiatives and/or that their existing economic delivery vehicles, for example, economic development corporations or municipal economic development departments, were not legally

constituted to deliver the more inclusive community-based decision-making model proposed by the province.

At the same time, the government of Ontario was rethinking the way in which it provided support for economic development across the province. In the 1993 Ontario budget, a new program for community economic development called Jobs Ontario Community Action was announced. Jobs Ontario Community Action has three major components: community development, community financing and community capital. Community development corporations are an important part of the community development component.

In developing the program concept and characteristics, Municipal Affairs set out the following criteria that community development corporations would be required to meet. First, they must be community-driven; that is, the community should have to identify a need for a community development corporation, usually in the development of its community strategic plan. It should be inclusive; that is, broad community participation would be essential to ensure greater social equity in community economic development decision-making. They should be flexible; that is, the community should have flexibility in designing their community development corporations to meet their unique needs. They should be viable; that is, the community would have to demonstrate that the proposed community development corporation is viable in the long term by identifying and securing sources for sustained funding. Lastly, they should be not-for-profit. Community development corporations created under this program would be non-profit in nature, incorporated under part III of the Corporations Act.

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Community development corporations may take responsibility for a variety of tasks, including coordinating implementation of community strategic plans; providing local leadership training and development; creating, maintaining and ensuring access to information; facilitating partnerships and promoting and coordinating investment for priority projects and local businesses; providing assistance and promotional services; and lastly, sponsoring the establishment of a community loan fund or a community investment share corporation.

Community partnerships among business, labour, government and voluntary interests are essential to the long-term success and viability of community development corporations. Municipalities are important partners.

Since municipal participation is not specifically provided for through existing legislation, an amendment to the Municipal Act has been introduced in Bill 40 to enable municipal membership and participation on the board of directors to establish the basis for municipal financial support and to allow for regulations, if required in the future. This is in part VI, section 112.2.

Under the community development corporation component of Jobs Ontario Community Action, the province would provide startup assistance to community sponsors, including municipalities, clusters of municipalities, not-for-profit community organizations and community groups.

Two types of communities would be eligible for provincial assistance: first, those lacking the organizational capacity to coordinate action to achieve locally identified community economic development priorities, and, second, those with existing organizational vehicles, such as economic development corporations or social action committees, for example, that wish to broaden their scope or mandates to pursue more broadly based community economic development initiatives.

The provincial role would be to promote, market and administer the program and ensure that all proposals recommended for provincial support reflect the program's principles.

Generally, municipalities may be expected to provide leadership on the board of directors, work to resolve conflicts which may arise between community interests as the community development corporation carries out its business and ensure coordinated action with senior governments.

Municipalities may sponsor community development corporations, nominate candidates for the board of directors, and provide financial and in-kind assistance to the community development corporation.

In concluding my remarks, I would like to briefly highlight some of the key benefits of community development corporations.

By helping to mobilize people's time, talents and resources, CDCs may help forge new partnerships, focus efforts and lead the way to stronger, more self-reliant communities. Community development corporations can ensure the greatest degree of coordinated action on community economic development priorities. They can promote broad community participation in the economic and social development of the community. They are designed to be flexible delivery vehicles that can be tailored to meet varying community needs.

That's the conclusion of my statement. I will be followed by colleagues from the ministry, as I mentioned earlier. Larry Clay will provide a detailed technical statement on the community investment share corporations. He is one of the managers with the community development branch. Following Larry will be Tim Burns, a senior adviser with our branch, who will provide a technical statement on community loan funds. Dale Taylor, from the municipal finance branch, a senior economist there, is available to provide detailed comments on the innovative municipal financing component of the act. Finally, Diana Dewar, a manager with the municipal planning policy branch, will provide

details on the Planning Act amendments.

The Vice-Chair: Thank you very much, Ms Melnyk. Now, I'm not quite sure how long each of these presenters will be speaking. If possible, can we limit their interventions to about five minutes each? We planned to adjourn at 3 o'clock and I do want to leave some time, obviously, for questions by the committee members. With the permission of the committee, I think we'll have the presentations first and then open it up to questions. Is that agreeable? Again, if you can limit your comments, if at all possible, to the minimum and leave time for questions from the committee members, I'm sure we'll be able to clarify some of the items that you wanted to talk about.

Mr Clay, introduce yourself, please, for the purposes of Hansard.

Mr Larry Clay: My name's Larry Clay and I'm a manager with the community development branch of the Ministry of Municipal Affairs.

I'd like to take this opportunity to present to the standing committee on Bill 40 a technical statement regarding the community investment share corporations referred to in the Community Economic Development Act. This technical statement will explain the program's objectives, the concept of community investment share corporations, the characteristics of a community investment share corporation, the province's role in facilitating this initiative and the benefits of the community investment share corporation.

The community investment shares program has been designed to assist in achieving several key objectives: to raise local capital from the community and for investment in local business ventures, with the added security of a 100% provincial guarantee on investor's capital; to invest capital in local businesses unable to secure equity financing from conventional sources for startup and expansion; and to provide local residents an opportunity to participate in the economic development of their communities in a direct way and create permanent local jobs.

The program will permit non-profit organizations to sponsor the establishment of community investment share corporations. In order to successfully establish such a corporation, a sponsor will have to generate community interest in the community investment share concept and undertake most of the development work leading up to incorporation and registration of the corporation under the community development act.

Those sponsoring groups, except municipalities, that are successful in obtaining approvals for a community investment share corporation will be eligible to receive a reimbursement of 50% of startup costs from the province.

Eligible sponsors of a community investment share corporation are non-profit organizations which could

include municipalities, community development corporations, which Tania just mentioned, Indian band councils, community-based organizations and cooperatives. Ideally, sponsors will be representative of the broader community in which they operate and will have some knowledge of the community's social and economic characteristics.

Once established, investors purchase preferred shares in the community investment share corporation. That capital is then reinvested by the corporation in shares of an eligible local business. There are two types of community investment share corporations: (1) the project corporation, which will invest in a single business, and (2) a pooled corporation, which will raise a pool of equity capital to invest in a number of eligible businesses in a community.

Investors' money will remain in the community investment share corporation for the life of the share term, which can be as long as seven years. It cannot be removed or withdrawn during that period. The province will be providing a 100% guarantee on the investor's capital and, pending Revenue Canada approval, the community investment share corporation shares will be RRSP-eligible.

To ensure that no single investor controls the corporation, investors and their associates are not permitted to hold more than 10% of the preferred shares in a community investment share corporation, subject to a maximum of \$25,000. Ineligible investors in a community investment share corporation include the sponsor, municipalities and those persons who are shareholders, directors or officers in the eligible business for the two-year period immediately preceding the investment. Any other Ontario resident, corporation, cooperative or community group may invest in a community investment share corporation.

Once the community investment share corporation has invested in an eligible business, investors may receive either annual or cumulative dividends depending on the performance of the business. At the end of the share term, the business in which the investment was placed must redeem the community investment share corporation's investment. Once the investment share corporation has been repaid, investors will be reimbursed their original capital contribution plus any dividends unpaid and the community investment share corporation will be deregistered.

The key principle to this approach is to attract investors who may take potentially lower returns on investment in return for stimulating social and economic benefits in their community.

A community investment share corporation must be a for-profit corporation with share capital that is incorporated under the Ontario Business Corporations Act or the Co-operative Corporations Act. In order to be recognized as a community investment share corporation

under Bill 40, the corporation must be registered by the Minister of Municipal Affairs. Only those sponsors that meet program requirements will be able to register.

In addition to incorporation, the sponsor will prepare a draft offering statement; a draft investment agreement; a business plan for the eligible business; an investment criteria plan for their proposed investments, for a pooled approach—the prior one for a project-based CISC; a third-party review; and a community impact statement.

For investments over \$150,000, one of the province's development corporations will be reviewing the investment proposal, which will include a review of the business plan. For those investments under \$150,000, the investment share corporation will be responsible for conducting a third-party review of the business plan. This review will be used to determine the feasibility of the business plan of the eligible business.

Once registered, a community investment share corporation will be managed by a board of directors, two thirds of whom are elected by the investor shareholders of the corporation, with the remaining one third elected by the sponsor shareholders of the corporation. The responsibilities of the board members will be the same as those of any incorporated business. This would entail, for example, holding an annual shareholders' meeting, preparation of an annual report, monitoring the progress of the businesses in which the investment share corporation has invested and keeping shareholders fully informed on the status of the corporation's investment.

Bill 40 requires community investment share corporations to retain a minimum reserve of 10% to 20% of their total share capital. The interest income earned on this reserve fund may be used to pay operating costs that may be incurred by the corporation.

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Bill 40 also has provisions in place to restrict community investment share corporations to a minority equity contribution and minority voting control of the eligible business. Presently, the regulations being developed propose to limit the maximum eligible investment in any one business to 40% of the total equity required. This feature ensures that the community investment share corporations do not become a vehicle for taking over the ownership and control of the business.

Investments are raised from the community on the basis of a share offering statement which is approved by the Ministry of Finance. This statement will include a disclosure of risk, details of the proposed business investment and the terms of the offering. The decision by potential investors to invest in the community investment share corporation will be based on information contained in this document.

Once its share offering has been successfully con-

cluded, a community investment share corporation must invest in an eligible business within 12 months.

Eligible businesses seeking equity financing from a community investment share corporation must redeem the corporation's investment at the end of the negotiated share term and must use the proceeds of the investment solely for startup ventures or expansion of business. Funds may not be used for refinancing of existing debt.

As noted earlier, sponsors may structure the community investment share corporation as a project corporation or a pooled corporation.

A project corporation would be used by sponsors who are able to identify a single business investment opportunity within their community that is in need of equity. An example of where a project corporation might be used in a community is where a local manufacturer has the opportunity to diversify the company's product line to accommodate a market niche if it can purchase the machinery needed to facilitate the expansion.

The pooled corporation permits sponsors to raise a pool of investment capital that would be directed towards several eligible businesses within the local community. An example of where a pooled corporation might be used is where a community has identified tourism as a priority for economic development and wishes to raise investment funds for businesses involved in the tourism sector such as a theme park expansion, development of a tourist facility and the expansion of tourism-related service business operations.

In terms of the provincial role, in addition to administering the community investment shares program, the province will guarantee 100% of the initial capital contributed by local investors in a community investment share corporation. This guarantee will only be paid out in those instances where an eligible business is unable to fully redeem the shares that are held by a community investment share corporation at the end of the share term. In such cases, the province will pay out on the guarantee on the difference between the investors' initial capital investment and any amounts received from the community investment share corporation.

In order to ensure that all share offerings prepared by the community investment share corporations are in compliance with the regulations of the program, the province, through the Ministry of Finance, will be reviewing all share offering documents prior to permitting shares to be sold to investors.

The province will provide startup assistance to non-municipal sponsoring organizations. This assistance will be provided on a 50-50 basis, subject to a maximum of \$15,000, where the sponsoring organizations are successful in obtaining approval.

Finally, the province will be responsible for providing program materials, including setup and training manuals.

In summary, this initiative will benefit communities

by creating local jobs and providing a unique opportunity for communities to assist in the growth and diversification of their local economies.

This initiative will benefit local investors by providing a way to put their savings to work in their community, offering the security of a provincial guarantee on their investment as well as providing the potential for returns on their investments in the form of dividends.

Finally, the province benefits by creating a mechanism to retain and redirect local capital into local businesses to create local jobs.

I trust this technical statement on the community investment share corporations as defined in Bill 40 has been of benefit to the members of the standing committee.

The Vice-Chair: Thank you very much, Mr Clay. I understand Mr Burns has some brief comments to make.

Mr Tim Burns: Hello. I'm Tim Burns, a senior policy adviser in the community development branch of Municipal Affairs. This technical statement concerns the community loan fund corporations.

Community economic development policy favours solutions based on community control of decision-making and a commitment of local human and financial resources. The objective is to make a lasting contribution to local economic capacity.

Given these objectives, we've tried to develop a program model which offers some prospect of establishing self-sustaining loan funds. For this reason, the loan fund program is based fundamentally on a partnership between investors, sponsors and financial institutions.

Loan funds have to be effective in getting credit into the hands of those with no other alternatives, but should take full advantage of the extensive credit and business assistance infrastructures which are already in existence.

Community loan funds will be locally controlled, non-profit organizations established to provide access to credit and other assistance to self-employed individuals in small enterprises. Their boards of directors will be broadly representative and will be responsible for reviewing loan guarantee applications and making final decisions on extending collateral to borrowers from a guarantee pool created by the issue of provincially guaranteed class A notes.

Loans will be for enterprise startups and expansions in amounts ranging from \$500 to \$15,000, with an average of about \$5,000. However, a group wishing to form a partnership or a workers' cooperative could be eligible for a higher loan level.

Strict viability tests will be applied to all applications. Loans will be on market terms with no forgiveness of interest or principal. The intent of the program is to provide access to credit, not subsidized credit.

Borrower eligibility has been defined as broadly as

possible to ensure community loan funds have the flexibility they need to respond to local priorities. Bill 40 requires that borrowers be Ontario residents and that borrowing be directly linked to a new enterprise or to the expansion of an existing enterprise which will result in new hiring.

Eligible loan fund sponsors include community groups, labour groups, church groups, municipalities, Indian band councils and non-profit cooperatives and corporations. Potential sponsors have indicated a particular interest in assisting women, aboriginals, cooperatives, the long-term unemployed, small business expansions, remote communities and so on. This type of focus is useful as the success of community loan funds depends on having an intimate understanding of client needs.

Eligible investors include individuals and corporations, including foundations. Individuals would be limited to investments of \$25,000; corporations and foundations to \$100,000 or 25% of the total fund. Sponsors would be required to incorporate under part III of the Corporations Act or as non-profit cooperatives under the Co-operative Corporations Act. Boards will be elected from among the membership.

Community loan funds will raise capital to back guarantees for clients by selling provincially guaranteed class A notes. The notes will be 100% guaranteed as to principal. Application is being made to obtain RRSP eligibility.

Annual returns on the investments will be based on performance and will be limited probably to the rate paid on a guaranteed investment certificate. This rate of return would not be guaranteed, and failure of a community loan fund to make an interest payment in any given period would not trigger a payout on the provincial guarantee. Early redemptions would be permitted only in exceptional circumstances, such as the death of a holder of a class A note.

Bill 40 requires that community loan funds provide the public with an approved offering statement containing full, plain and true disclosure when soliciting investment. Investors would receive also annual financial and management reports from the loan fund.

Community loan funds will be required to develop a standing agreement—this is an element of the partnership—with a credit union, bank or trust company. Under the terms of the agreement, the financial institutions will extend loans to the clients referred to them by the community loan fund, using the fund's assets as collateral. The financial institution would also agree to remit a portion of the interest collected from borrowers to the community loan fund's account as a guarantee fee and to notify the fund immediately in the event of a missed payment. Other services can include routine credit checks, fund management services and so on.

A community loan fund will actually have two funds: the operating fund covering such items as salaries and office expenses, and the capital fund, raised through the sale of class A notes, which is used to provide collateral for borrowers. Class A capital will not be used to fund the operating cost of loan funds.

Another feature is the safe reserve account initially amounting to 20% of class A capital. This reduces the exposure to defaults.

As mentioned, a share of the interest paid by the borrowers, probably about 2% or 3% of outstanding principal, would be allocated to the loan fund. Another source of surpluses for community loan funds is the difference in the amounts paid to investors and the total yield on the class A capital which has been invested in the investment pool. For example, the pool might earn about 5.5% while investors might be willing to accept 4%.

On the operating side, community loan funds will have three main sources of support: community contributions, operating grants from the province and income earned from the capital activities, as outlined above. As this type of lending is expensive, the program includes operating funding. In negotiating operating agreements, the province will be concerned with encouraging long-term independence. Therefore, provincial support will probably diminish over time.

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Sponsors will be required to develop business plans indicating a substantial level of non-provincial support for their operating costs. To open up one new source, the Community Economic Development Act enables municipalities to provide operating assistance to community loan funds.

Loan funds will provide their clients advice and technical support in addition to loan collateral. Such assistance, monitoring and mentoring is instrumental to maintaining high enterprise survival rates and minimizing default rates.

The issue of borrower default is a central one for investors and the province as the guarantor of their capital. This program will rely on the sense of obligation boards will have towards local investors, effective screening processes and the enriched technical assistance offered to borrowers to minimize defaults.

Provincial financial support will be in four areas: start-up grants, the operating assistance just mentioned, reimbursement of technical assistance costs and a guarantee on invested principal.

In addition, section 112 of the Municipal Act will be amended to allow municipalities to sponsor community loan funds, to participate on the boards and to provide operating assistance in cash or in kind. Municipalities will not be permitted to purchase class A notes.

In conclusion, the main benefits of the community

loan fund program are access to start-up and expansion capital for enterprises with no other alternatives, hence a new range of job creating opportunities for communities; creation of permanent community-based financing mechanisms able to mobilize credit to meet local economic objectives; and a new balance in the relationship between the province and the community, which has a high level of community decision-making and a lower level of dependence on public money.

The Vice-Chair: Thank you very much, Mr Burns. Mr Taylor.

Mr Dale Taylor: Section 48 of Bill 40 contains—

The Vice-Chair: I understand you're with the municipal finance branch.

Mr Taylor: Municipal finance branch, indeed. That's one minute already.

Section 48 of Bill 40 contains provisions responding to the interest expressed by municipalities in being able to use more creative and flexible methods of financing such capital facilities as municipal offices, community centre complexes, water and sewage facilities, roads, transit. Some of the provisions in this part of Bill 40 also cover school facilities.

The objective of these provisions is to help generate new funding sources for the provision and renewal of local public infrastructure with respect to which Ontario is beginning to experience a backlog. This would also enable some priority projects and related jobs to go ahead that would not otherwise proceed.

Currently, property taxes pay for the bulk of the \$4 billion spent in capital outlays by municipal and public school sectors. The traditional methods of financing capital outlays include moneys from the current levy, development charges and moneys from reserve funds, capital assistance transfers from the province and municipal borrowing. The latter, municipal borrowing, was made more flexible a couple of years ago by the enactment of Bill 165.

The deliberations of a provincial-local-industry task force on innovative infrastructure financing, reporting to the minister in 1991 and 1992, indicated that significant benefits can be realized by forming partnerships with the private sector to procure and finance public infrastructure. Such a co-venture agreement to provide infrastructure facilities would be undertaken wholly or partly by and/or with a private sector partner over some period of time.

This can take such forms as:

—Build-operate-transfer, which I guess is a co-venture proper, where a partner builds and operates the facility for a period of time to obtain a rate of return and turns back the facility to the municipality or school board, as the case may be. There are examples recently of Windsor, its multi-use recreation complex, and the Windsor tunnel.

—Design-build and turnkey type methods where a set of performance specifications is bid for and built at a fixed cost; for example, Newmarket's latest fire hall and Burlington's Brant Hills recreation centre.

—Leasing arrangements if these financially outperform traditional borrowing to provide capital facilities. An example would be Gloucester city hall in recent years, and sale and leaseback of equipment such as the GO rolling stock situation which is being negotiated at the provincial level.

—Public components or a public component of a multi-use project; for example, school or municipal multi-use projects.

Some use of these techniques has already emerged in Ontario either under existing public legislation or a private bill—for example, the Windsor complex—and illustrative cases will soon be published in a manual being put out by the Municipal Finance Officers' Association and the Association of Municipal Clerks and Treasurers of Ontario.

Under the proposed section 48, section 210.1 would be added to the Municipal act to remove certain obstacles that currently discourage municipalities from entering into coventuring and related types of agreements with the private sector to procure and finance public infrastructure facilities.

Some of the features: Municipalities and school boards would be permitted to give an exemption from property taxation for projects undertaken through agreements with private partners. There is a reference here to the paragraphs. Property tax exemptions will cover only those types of facilities or parts of facilities that are now tax exempt because they are government facilities. Property tax exemptions will not extend to facilities that are not tax exempt.

As with current municipal and school facilities, these tax exempt facilities will not have an impact on levy apportionments, cost-sharing or grants based on taxable assessment. Provisions for giving notice of any resulting change in tax status of property on the tax rolls and for making such adjustments to the rolls are also included.

The bonusing prohibition in section 111 of the Municipal Act would not apply to such projects or portions of projects which exclusively provide municipal services. The exemption from section 111 of the Municipal Act proposed for these partnerships is only to ensure that projects receive the same treatment as similar facilities done entirely by government. This is the same principle being applied in the proposed taxation status provisions.

Also provided for is the establishment of reserve funds for the maintenance of co-ventured facilities. This is to ensure the facilities involved are maintained and transferred back to the municipality in a well-maintained condition.

Regulations are provided for in paragraph 19. The ministries of Municipal Affairs and Education and Training are now developing a regulation that will define the scope of municipal and school facilities to be covered by the flexible financing provisions and any further details regarding application to school boards.

It is anticipated that the permitted facilities that will be listed in the initial regulation will include the basic physical plant of municipalities and school boards that must be provided and maintained, such as administrative offices, sewer, water, transportation, most public utility infrastructure where it is provided by a municipality, and municipal recreation complexes and social facilities such as homes for the aged.

Prescribed facilities will not include facilities for which the tax and bonusing treatment provided for in this section would not be accomplishing a public infrastructure purpose or would be providing an inappropriate advantage; for example, clubs that are not intended for general public use. As well, facilities of some types will be excluded where there is a separate context for determining and resolving issues about appropriate public-private partnerships; for example, electricity undertakings.

Bill 40 also provides for the benefits to be gained from making better use of pooled investment and borrowing arrangements among certain local public sector institutions. Through the proposed provisions in sections 44, 45 and 47, colleges, hospitals, universities, municipalities and school boards will be allowed to participate together in investment pools. This relates to investable surplus or reserve funds deposited into a central fund, maximizing investment yield while providing appropriate liquidity. Such sector-wide investment pools will permit better returns through administrative efficiencies and obtaining increased returns on the investment of larger amounts of funds.

Examples of current investment pools up and going in the municipal sector are the so-called CHUMS pool, or the colleges, hospitals, universities, municipalities, schools pool, and the Local Authority Services Ltd or LAS pool. Participation in investment pools will be voluntary. It will not expand the scope of permitted investments of any of the agencies under their current legislation.

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The Vice-Chair: Thank you very much, Mr Taylor. Diana Dewar, I understand you're the manager of the municipal planning policy branch.

Ms Diana Dewar: I'm Diana Dewar, the manager of municipal planning policy branch from the Ministry of Municipal Affairs. I will briefly summarize the proposed Planning Act amendments in Bill 40.

The proposed Planning Act amendments are part of the urban economic recovery initiatives. They are short-

term administrative and housekeeping changes intended to streamline the review and planning approval process to make the process more efficient and effective and to support and facilitate economic recovery.

It must be stressed that the proposed amendments are short-term administrative changes intended to improve the current process. They are a positive first step toward further improvements to the planning system. They are consistent with the recommendations submitted recently by the Commission on Planning and Development Reform in Ontario, also known as the Sewell commission, regarding the need to streamline and improve the planning process. The government is currently reviewing the final report for future action.

Several of the proposed amendments will serve to streamline the Ontario Municipal Board process. The first one would allow the board to make an order to allow any part of a bylaw which is not an issue in an appeal to come into force before the board has disposed of all appeals to the bylaw. This will allow building permits to be issued for development projects which are not affected by zoning appeals to proceed without delay.

The second change sets a 15-day deadline for municipalities to forward appeals on interim control bylaws to the Ontario Municipal Board so that the board will be able to deal with the appeals in a timely manner.

A third change allows the board to make decisions on severance and minor variance applications which have been amended from the original application if it is demonstrated that no one is prejudiced by doing so.

The existing legislation permits the board to make a decision on a severance or minor variance appeal based on the original application only. If the application has been amended, the applicant is required to submit a new application to the approval authority. The board is unable to make a decision on the amended application. To ensure that provincial and municipal reviewing agencies and other interested parties are not prejudiced, notification and consultation with interested parties will be required.

The fourth change allows a zoning bylaw to take effect automatically if appeals are withdrawn. Currently, the Planning Act does not contain a provision to allow the board to dismiss the withdrawal of an appeal against a zoning bylaw in a simple administrative way. The board's current practice is to issue a board order dismissing the appeal.

The proposed amendment will provide that where an appeal to a zoning bylaw has been withdrawn from the board, the bylaw would be deemed to come into force without an order of the board.

A further amendment will allow the minister to prescribe the information to be included in the notice for the passage of a zoning bylaw so that people who are notified of the bylaw will also be notified of the

corresponding official plan amendment.

The board has found that where there is an official plan amendment associated with a zoning bylaw under appeal, the public is often unaware that there are two separate appeal processes. Zoning appeals are filed with the municipal clerk. Objections to official plan matters are filed with the Minister of Municipal Affairs as a request for referral to the board. The prescribed information under consideration will include the requirement that municipalities give information on official plan amendments related to zoning bylaws so that the public will have full information.

In addition to these proposed changes, the proposed legislative package provides that the minister may delegate planning approvals on his own initiative to upper-tier municipalities and separated cities and towns. Currently, the Minister of Municipal Affairs may delegate to the council of a municipality certain of his approval authority under the Planning Act on the request of council.

The proposed amendment will allow the minister on his own initiative to delegate approval functions to qualified and capable municipalities with professional planning staff. It is intended to speed up the delegation process by not requiring a request from a municipal council.

Another proposed amendment allows the minister to charge fees for planning applications submitted to the province for approval. Under the existing legislation, municipalities and planning boards can charge fees for processing planning applications. The province does not charge for this service.

The proposed amendment would allow the ministry to charge fees for processing planning applications. The Parkway Belt Planning and Development Act is also being amended to give the minister similar power in respect of amendments to land use regulations.

The appropriate fee schedule is currently under consideration and fees are intended to be similar to those being charged by municipalities and planning boards which have been delegated planning approval functions.

Some of the applications under consideration for a fee are plans of subdivision, condominium, severances, zoning orders, part lot control, validation of title and power of sale in territorial districts where the minister has sole jurisdiction.

The next amendment allows the minister to prescribe information for planning applications such as official plans and amendments, zoning order amendments, plan of subdivision, condominium and severances.

By defining the information requirements up front, applicants will know clearly what the rules of the game are at the beginning of the process. With complete information, the municipality and the reviewing

agencies will be able to review a development proposal in a more effective and timely manner.

Another proposed amendment would assign the approval of validation of title and power of sale to municipalities. Since these approvals may have the effect of creating a parcel of land, it would be appropriate for this authority to rest with councils which are already assigned the power to grant severances.

Finally, there is a proposed amendment to allow a district land division committee, should one be established, to keep the fees it charges for severance applications in order to meet the anticipated cost of processing those applications.

Municipalities and planning boards dealing with severance applications are already authorized to prescribe and keep the fees to meet the administrative costs; it would be appropriate to allow the same for district land division committees.

To conclude, these proposed amendments are short-term administrative changes intended to improve and streamline the current planning process.

The Vice-Chair: Thank you very much for your presentation. If I could ask all the presenters to come back to the table so that we can expedite matters a little bit. We have half an hour. I'm suggesting to the committee that perhaps each caucus be allocated 10 minutes, that makes 30 minutes, if that's fine with you. That might be the easiest way to proceed.

Mr White: I'm just wondering, particularly for Mr Johnson; he had a couple of very specific questions which I think were dealt with to some degree by the technical statements. The issue about RRSP eligibility and municipal investment, those items were dealt with. Does he feel satisfied with the responses?

Mr David Johnson: I guess I should address them during my questions.

The Vice-Chair: Yes, I think that would probably be the best way. Thank you very much, Mr Johnson. Mr Phillips, did you want to start?

Mr Phillips: I'll start with community development corporations. I'm still not completely clear on how these work and who determines the structure and the format of them. I gather from reading this that a municipality may choose to participate or not participate; it doesn't have to have municipal involvement. The last part of that is, in the legislation, where should I look for the legislative authority setting this up?

Ms Melnyk: I can answer the first part of it. I'll defer to our lawyers for part two. In terms of who can establish a community development or how it's structured, it is very much based on the community. As you may be aware, the whole concept of community economic development provides for communities to be somewhat self-defining. So the community could be an ethnic group; it could be a group of groups; it could be

the municipality and a series of partners, which is probably the preferred one but not necessarily the only way to go for the establishment of a community development corporation. It is, in effect, an entity that provides the vehicle for things to happen. It's like an umbrella organization which brings together a number of groups from the community, unlike, for example, municipal economic development corporations, which focus primarily on the economic players in the community and work with the business groups, the chambers.

Mr Phillips: The reason for my question is just that I can visualize down the road a community having two groups wanting to be the community development corporation, and historically municipalities have been actively involved in it. The determination will be the Minister of Municipal Affairs who determines.

Ms Melnyk: In most cases, or perhaps the regional teams deciding on some of the approvals under Jobs Ontario Community Action. If municipal involvement is there, we would recommend that our minister have a role in approving those, but otherwise it's the core teams, the regional teams.

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Mr Phillips: It's the who?

Ms Melnyk: It's the regional teams. Part of the whole Jobs Ontario Community Action initiative involves sort of an interministerial decision-making process where decisions are flowed through regional teams which involves a number of ministries.

Mr Phillips: Okay, I understand that now, the bells start to go off a bit, I just—oft-times.

Ms Melnyk: A key consideration too to bear in mind is that these things will only have startup funding, so in terms of the approval, the long-term sustainability of that particular development corporation will be a factor in its approval. It has to be based on a fairly viable and strong group support before it takes off or is approved.

The Vice-Chair: Do you want an answer from the ministry lawyers?

Mr Phillips: Just quickly worded. Where is it in the legislation?

Ms Melnyk: Where is it in the act?

Ms Kelly Yerxa: I'm Kelly Yerxa from the Ministry of Municipal Affairs, legal services branch. If you turn to section 46 of the act, which provides for amendments to the Municipal Act, and then to 112.2 on page 25, that particular amendment to the Municipal Act deals with the establishment of community development corporations.

Mr Phillips: Okay, thank you. On the community investment share corporations—I'm just trying to figure this one out—the guarantee is just on one's initial capital investment. You can have it for seven years and

you'll just get back the money you put in it and there is—on some of the labour-sponsored venture capital corporations, which this is not totally unlike, there are some tax credits available. There are no tax credits on this?

Mr Clay: No, there are no tax credits. The key provincial support here is really the guarantee. There is RRSP. We're seeking RRSP eligibility on the investment, as well, from the federal government.

Mr Phillips: Right, which would be whatever your marginal rate is: 30%, 40%, 50%.

Somewhere in here I misread something that implied, at some stage, the thing wraps up when the money is paid back, but was I looking at—I'm sorry, I can't remember what part of your presentation, but that would only be for the project pool, or the project—

Mr Clay: Yes. In the case of a project community investment share corporation, the CISC would deregister once the moneys have been paid back and the original investors have been repaid. In the case of a pooled CISC, the CISC would continue until the last business investment is completed.

Mr Phillips: Although one would expect these things to be kind of just a permanent—would you expect the pooled one to be kind of a permanent venture capital local pool, is that what the concept here is?

Mr Clay: No, we don't intend them to be infinite and go on for ever. The longest share term that an investment can have is seven years, so it really can't extend beyond that period.

Mr Phillips: I'm thinking of your pooled investment share program. You say the longest it can invest in any one single project is seven years, or the longest it can exist is seven years?

Mr Clay: Well, pretty much the longest it could—it could exist for eight years because once a pooled CISC has been registered it has 12 months in which to make all its investments.

Mr Phillips: All of its investments.

Mr Clay: All its investments, and the longest term for any one investment can be seven years.

Mr Phillips: I had kind of misread this thing. I thought this was a local venture capital pool ongoing, but you're saying this is a time-limited—

Mr Clay: Yes. The CISC will have a period of defined time in which to make its investments, yes.

Mr Phillips: So what happens in a Kitchener-Waterloo one that wants to have this thing available at all times is that it has to find another community investment share corporation?

Mr Clay: Yes. The intent of the CISC program is really twofold. It is to really try to identify projects within the community that are ready to go, that for whatever reason have been unable to access conven-

tional sources of equity financing.

There will be cases, of course, where a community will put together a pooled CISC, but I guess the danger is that if you don't put a period of time upon which that investment could be made, it could be an infinite period of time. The pool could be established and unsuccessful in obtaining any potential investment, so we want to put some parameters around the period in which it takes people's money and puts it to good use in the community.

Mr Phillips: Would you visualize—I keep using Kitchener-Waterloo—that there might be more than one of these community investment share corporations in existence?

Mr Clay: In any one community?

Mr Phillips: Yes.

Mr Clay: It's possible. There's nothing at this point to suggest that won't happen. Again, we envision, at least initially, having 40 community investment share corporations across the province, so the government will probably be interested in spreading those as broadly as possible.

Mr Phillips: On the loan one, which is kind of the third part of this, this is kind of the last-resort credit. Is that what the concept here is?

Mr Burns: Applicants have to have a prior refusal from a bank or credit union or trust company, so in that sense it's a last resort.

Mr Phillips: And I guess that was your first point you made, proving that they have been—

Mr Burns: That they had tried to obtain financing from other sources but were unable to.

Mr Phillips: Do you see this being a time-limited proposition, or is this kind of a permanent bank?

Mr Burns: No, it's somewhat distinct from the investment share corporations because they can revolve a pool of capital and they may be able to entice investors to stay in after the initial term, during which their investment was guaranteed. Hopefully, at that time if they have a reasonable track record or they've managed to accumulate some permanent capital, they could stay in business, basically.

Mr Phillips: Is there a fair bit of evidence that this is a significant issue, and are there other examples somewhere in North America where it's been shown that there are very viable operations that have been turned down by normal—

Mr Burns: Yes to both questions. There's a lot of anecdotal evidence in Ontario in our discussions with many groups working with typical loan fund clients. It's a very widely used model. There are a number of variations on loan funds, but it's literally used the world over, from Bangladesh to South America, all over the United States and different parts of Canada. So there is

quite a bit of evidence of where it's been applied.

Mr Phillips: Which is the most successful model that I should look at?

Mr Burns: The US. They have—

Mr Phillips: Could you be a little more specific?

Interjection: The mainland.

Mr Burns: The lower 48. I'm trying to think of a good one. The best example that comes to mind that I can remember—there's a handbook of them, actually—is one in Nebraska that has a small pool of \$80,000 which it's been turning over continuously since the early 1970s. Basically, that means they've been taking quite a small fund and have made one or two loans every month or maybe six a year and have managed to survive for about 20 years turning it over and over continuously. They have managed to survive and not have their capital completely depleted by defaults.

The Vice-Chair: Thank you very much, Mr Burns. I'm sorry, Mr Phillips, but your time has run out. Mr Johnson and Mr Jackson.

Mr David Johnson: One of the questions I raised earlier was with regard to municipal financial involvement. Many of these documents dealt with that, but I just want to make sure I've got it right. Municipalities are not allowed—I don't know who I should look at here—

Ms Melnyk: I'll try.

Mr David Johnson: Municipalities are not allowed to invest in the loan fund or the share corporation?

Ms Melnyk: They are allowed to provide support, but not—

Mr David Johnson: What does "support" mean?

Ms Melnyk: "Support" means facilities, staff, dollars, grants—

Mr David Johnson: Dollars.

Ms Melnyk: —to help operate the fund, but not as part of the loans that are made that are in any way—they are not allowed to get involved in lending to businesses.

Mr David Johnson: What sort of a cap is put on that? You mentioned dollars in the middle; you said staff, space—

Ms Melnyk: There is no cap on municipal dollars. We're looking for sharing, and we have some notional numbers. The regulations will govern the level of involvement, but it's really a sponsorship role that we're looking at for the municipality. It's assumed that it would be in their interests to have this kind of facility in their community to support the businesses.

Mr David Johnson: I don't disagree with that. I guess the difficulty is that local municipalities could well come under the gun, could well be pressured to invest money.

Ms Melnyk: No, that's not allowed. That would contravene the bonusing.

Mr David Johnson: I'm still not too clear. You've indicated that municipalities could put dollars in.

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Ms Melnyk: Just dollars to support the operation of this: to support the meetings, the administration, some portion of the process. For example, a unique feature, as you may have noted in Tim's presentation, is the technical assistance that's offered. The mentoring component of the loan fund is a very important feature which helps people to get through a loan process successfully.

Mr Jackson: The people in the planning department who aren't busy at the moment.

Mr David Johnson: When do you expect the regulations to be issued?

Ms Melnyk: Around the time, hopefully, that this may get passed.

Mr David Johnson: "Around the time." Okay. I'll let that one go.

Ms Melnyk: We're developing those.

Mr David Johnson: Secondly, in terms of some of the infrastructure—the water, sewage, school boards, that sort of thing—my understanding was that if they tie in with this whole plan, there had to be a business plan that would show that this money could be repaid, either in terms of the loan, I guess, over a period of three to five years, in terms of the—

Ms Melnyk: This is on the innovative financing component? This is the water—yes, we've got another expert on that.

Mr David Johnson: I'm just curious. Would the municipal infrastructure come under the same provisions, that the moneys would have to be repaid over a three- to five- or seven-year period? If so, how does that work? If a municipality is to construct a sewer under this program, is there some sort of user-pay system, or how does it work?

Mr Taylor: Your question has me concerned that there may be some further clarification needed here. The part that deals with innovative financing is quite distinct from the kinds of things that you've been talking about right now. It's in the bill because, I guess, infrastructure contributes to economic development, but basically there are none of those kinds of provisions related to the innovative financing of infrastructure part.

Mr David Johnson: That's fine, thank you.

Getting back to another question that I raised earlier with regard to the uses, as I understand it, in terms of the loan or share corporation, we're looking at tourism, manufacturing, telecommunications, that kind of thing. Are you looking to expand?

Ms Melnyk: We're looking to expand the definition.

Mr David Johnson: For example, retail has been raised.

Mr Clay: In fact, we've been considering that quite a bit. I guess, again, the fundamental principle is really to let the community decide what it thinks are the most appropriate investments to make within the community. I think we sort of agree with your statement that those sectors that you identified might be a little bit limiting to a community. For example, your retail operations are a very significant contributor to the economy of a small community. So I think, as Tania noted, we're looking at making the scope of eligible businesses as broad as we can.

Mr David Johnson: Mr Phillips asked the question about the United States. Somebody raised the fact, I'll say, to me that in the United States there are tax exemptions that are linked in with the equivalent kind of program that they have, so that makes this thrust more attractive, I suppose, and in fact—I forget; it was a conversation I had within the last couple of days—that there have been tax changes in the States in the last few years that have actually lessened the attractiveness of these loan corporations and share corporations considerably. Can anybody speak to that?

Mr Burns: I saw some opinions about having losses or forgone interests in these types of investments being eligible as a tax deduction, but I frankly don't know what changes may have occurred to that regime. They also have a community reinvestment act which encourages their banking sector to invest in these types of activities, and that has generated a lot of activity.

Mr Jackson: Therefore they can't be non-profit—

Mr Burns: No, the—

Mr Jackson: They're all non-profit lending corporations in the US?

Mr Burns: I don't know that they're all non-profit, but a significant number of them are.

Mr David Johnson: Is it possible to get information in that regard?

Mr Burns: Certainly, yes. There's a national association in the States which puts out a handbook.

Mr David Johnson: Because this is being held up that in the United States it is very popular and works quite well, but if the tax provisions are different and that's why it works, then I think we should know that up front, if you can just look into that.

Mr Clay: That's community-based equity. There's no real comparable—

Ms Melnyk: On the equity side, the comparable ones in Saskatchewan—actually, in Canada: Saskatchewan and Manitoba have recently introduced their GRO bonds, as they call them.

Mr David Johnson: Going back, then, to the planning section, I didn't quite catch this part on the top

of the third page, I guess; it's not numbered. It says that "the proposed legislative package provides that the minister may delegate planning approvals on his"—it seems rather sexist there; isn't it supposed to be "his or her"?—"own initiative to upper-tier municipalities and separated cities and towns." Could you explain a little more thoroughly what that means? Does that give the upper tier any sort of authority over approving lower-tier planning approvals?

Ms Dewar: Yes. The current Planning Act requires that a municipal council request the minister for delegation. This amendment merely removes the requirement that a municipal council must request it. The minister can pursue delegation on his own initiative.

Mr David Johnson: Let's try that again. The current Planning Act provides for what?

Ms Dewar: Under the current delegation legislation in the Planning Act, it requires that a municipal council request—

Mr David Johnson: Local or regional?

Ms Dewar: It would be any municipal council would request the minister to delegate his approval authority. This amendment simply removes that requirement that a municipal council request the minister to delegate. So the minister can delegate on his own initiative.

Mr David Johnson: Without the request of a municipality.

Ms Dewar: Without the request of a municipal council. But only capable municipalities with professional planning staff and approved official plans would be considered eligible for delegation.

Mr David Johnson: I think I need a little more clarification of that, but maybe I'll do it outside of this forum. It sounds to me as if the minister, on his or her own initiative, could give—I don't know why regional. You're talking about upper-tier municipalities in the brief.

Ms Dewar: It would be to upper-tier municipalities and separated cities and towns.

Mr Jackson: Because upper-tier have regional plans; is that why?

Interjection: Yes.

Mr Jackson: That's what I thought.

Ms Dewar: The legislation would provide for delegation to upper-tier municipalities and separated cities and towns.

Mr David Johnson: It sounds like this gives the minister more authority than the minister has today.

Ms Dewar: Well, delegation could be undertaken on the minister's own initiative. In other words, the minister wouldn't need to request—

Mr David Johnson: Be requested.

Ms Dewar: Be requested; that's correct.

Mr David Johnson: Only by regional governments, or by local governments as well?

Ms Dewar: No, upper-tier municipalities and separated cities and towns.

Mr Jackson: A separated city as a municipal council, then.

Ms Dewar: Yes.

Mr Jackson: So it covers everybody.

Mr David Johnson: That covers all local—for example, here it would cover the city of Toronto as well as Metropolitan Toronto?

Ms Dewar: Yes. It would not cover, for example, a local township that was outside of an upper-tier municipality.

Mr David Johnson: Okay. I have—

The Vice-Chair: Another two minutes.

Mr David Johnson: Did you want to do yours?

Mr Jackson: My critic colleague has to be at AMO tomorrow so I'm trying to yield to him. I have extensive questions; that's my problem.

Mr David Johnson: I'll just ask one more question, then. In terms of the loan fund, as I understand it, under hardship conditions an investor can withdraw the funding. Is that true?

Mr Burns: James, you can correct me, but I believe it's limited to the death of a holder and where the estate would like to redeem the note. Is that correct, that it's only in the case of death of a holder?

Mr David Johnson: So presumably that's the same under the share corporation as well, except with the share corporation we're looking at a seven-year period, which is a longer period than for the loan fund. I'm just wondering particularly, if people did invest RRSP money in something like this and they desperately needed that money four years after it was invested, what would happen?

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Mr Clay: Just a point of clarification: The share term could be as long seven years; it could be anywhere between three and seven years.

Mr David Johnson: Well, let's assume seven years.

Mr Clay: Then that money is pretty much in.

Mr David Johnson: So they're stuck.

Mr Clay: But you know that going in. I mean, when a share offering is put to a potential investor, they have to decide whether they're prepared to keep their money in the corporation for that period of time.

Mr Wiseman: It's discretionary.

Mr Clay: Yes, discretionary.

Mr Wiseman: You don't do it if you're going into retirement.

Mr David Johnson: In terms of the people involved, we're looking at board members, we're looking at investors, we're looking at the community startup group, and we're looking at the business that's going to be invested in. Can any citizen be on any of these? In other words, could an investor also sit on a board, be a member of the community startup and be a member of the business that's being invested in at the same time? What limitations do you have on—

Mr James Loken: The investor could be a—

The Vice-Chair: Would you introduce yourself, please.

Mr Loken: Sorry. James Loken from legal branch, Municipal Affairs.

An investor could be a member of a sponsoring organization and an investor certainly can be on the board of the investment share corporation. They're designed to allow the investors, in fact, to direct the board.

Mr Jackson: Will the conflict-of-interest matters be contained in the regs?

Mr Loken: The conflict-of-interest matters will be—well, the act itself, in section 12, I believe, directs that no one can have more than 10% of the shares of the CISC. There will also be, in reg, restrictions on investors being investors in the business as well.

Mr David Johnson: So the investor could be in the business as well as being on the—

Mr Loken: No, sorry. No, could not, unless—there will be a slight amelioration for cooperatives and widely held community businesses, but in general principle, no.

Mr David Johnson: Is that the same—

The Vice-Chair: Thank you very much. Mr Hope.

Mr Randy R. Hope (Chatham-Kent): The question I have is basically—to use up a little bit of the time, first of all, I'd like to thank the staff for their in-depth briefing notes, because it is important as we're dealing with something that's very important.

I hear where some of the concerns from the larger municipalities may come from, but I've had extensive conversations with people from rural communities around this piece of legislation. We find there are going to be possibilities not only for creating jobs but for social revitalization in our communities, where a lot of our children are leaving our communities and going to larger centres and there's a social cost there.

I know through a number of conversations dealing with the economic development—I understand the planning stuff because we do have some smaller municipalities which have been very careful around their municipal planning, giving them a little bit more power, and I hope the minister will approach these individuals because they have been very responsible around the planning.

The investment aspect is a key element. I heard comments earlier about when the provincial government wanted to touch pensions. I remember I always wanted to get my hands on my pension, so when the company I worked for—instead of investing it in South Africa, I would sooner invest it in my own community for the potential of jobs that would be available in my community. That's the viewpoint I took from the labour movement, and still do. I believe there are opportunities for reinvesting your moneys into your own community, which helps stabilize the community much better. So the investment aspect is very important back in our own communities.

When you talk about companies, one of the ones we are having most of the major problems with is tool and die manufacturers around bridge financing. Currently, there's no program in place, and a lot of our companies in rural Ontario need bridge financing to make that transition to a new product line or new equipment that's there. Sometimes it's very hard for those companies to obtain the money, but if they don't obtain those moneys, that's the end of the jobs in the community. So there's always a negative impact that's there.

I'd be interested also—I heard comments made on the United States, and you talk about how there's a book. If you have documentation, it would be greatly appreciated by myself and I take it by the rest of the members here of the committee.

All I can say is that when I looked at some of the initiatives behind this bill and some of the technical briefings that you've just done for us, I just wanted to make sure that I convey my thanks for the technical and in-depth part of it. I look forward to the presentations that will be made because I'm going to be carrying a message from a lot of people from rural Ontario who are not just into feed bags. We're also into high tech. I have Smart Talk Network, which is creating 200 more jobs in my community, and we are looking at the fish farms. There is possible manufacturing, because if you're producing a product that's in the manufacturing base, it could be a subsidiary of that company, so there are possibilities that are there, and for us in rural Ontario who are looking also at an ethanol facility, community investment from farmers getting invested in their lifestyles is a very important part, so it's what we see with Bill 40.

I'm interested in hearing the presentations from people who will come before this committee from the more technical end of it, and I look forward to hopefully being one of those communities. I guess King county wishes to be one of the first ones up and starting for its revitalization. I just wanted to make those comments known to the staff.

The Vice-Chair: Well, I didn't really detect a question here.

Mr Hope: There was one in there somewhere.

The Vice-Chair: I don't know if anybody wants to respond to this.

Ms Melnyk: I very much appreciate the comments.

The Vice-Chair: Were there any further questions from the government side?

Mr Wiseman: I do have one on the section here, that the proposed amendment will allow the minister, on his own initiative, to delegate approval functions to qualified and capable municipalities with professional planning staff, and it follows on the same comments that my colleague Mr Johnson was raising. What in real terms, in terms of planning in a community, does this mean?

Ms Dewar: A number of municipalities have already been delegated the ministry's approval authority. I have quite an extensive list here of a number of municipalities that actually carry out that function. Some do approve official plan amendments, a number approve subdivision and condominium development proposals.

Under the existing legislation, the minister can only delegate upon the request of a municipal council. This amendment merely removes that requirement, so it allows the minister to delegate without that request from a local council. That's the only change that this amendment makes.

Mr Wiseman: I might have missed this point, but did you say "official plan amendments" or did you say "official plans"? This wouldn't allow the minister, for example, to give a municipality that has no official plan the right to create its own official plan without it coming to the Ministry of Municipal Affairs.

Ms Dewar: No.

Mr Wiseman: Should somebody oppose an official plan amendment, it doesn't give the municipality power not to go to the Ontario Municipal Board?

Ms Dewar: No, it does not.

Mr Wiseman: And it doesn't change the power of the Ontario Municipal Board to strike down the official plan amendment if it doesn't conform to the official plan or the philosophy of the official plan?

Ms Dewar: That's correct.

Mr Wiseman: Does it have any impact—for example, I know there are councils elected that completely ignore the recommendations of their planning departments and go ahead and do all sorts of strange things. This doesn't in any way give those kinds of councils any more power to do that than they already have.

Ms Dewar: Only capable municipalities with professional planning staff and an approved official plan are considered eligible for delegation. The decisions are monitored and will be.

Mr Wiseman: That will be continued to be monitored by the Ministry of Municipal Affairs.

Ms Dewar: Yes.

Mr Wiseman: You said earlier in this technical document that Sewell is a major player in all of this, in what he's recommending. How soon can we expect to see what the Ministry of Municipal Affairs is going to put forward from Sewell?

Mr Jackson: Maybe that's most appropriately responded to by the parliamentary assistant.

The Vice-Chair: The parliamentary assistant.

Mr Wiseman: I'm looking at the parliamentary assistant.

Mr White: I'm not sure that's an appropriate question—

The Vice-Chair: The question is always appropriate.

Mr White: —for Ms Dewar to respond to. I believe there is an attempt to formulate a response. I know there is very active work in that regard, Mr Wiseman, but perhaps we can leave that for priority setting in the—

Mr Wiseman: With all due respect, Parliamentary Assistant, when you raised the issues of Sewell, and Sewell being part of this planning—

Mr Jackson: What part?

Mr Wiseman: Good question. That's exactly the question that I have.

Mr White: I think the idea was that—

The Vice-Chair: Just a minute. Mr Wiseman still has the floor.

1500

Mr Wiseman: My question is how soon we can expect this, and whether Mr Sewell is involved at the Ministry of Municipal Affairs on an ongoing basis, giving his expertise to the staff in terms of developing the recommendations on section 3 of the Planning Act and other areas.

Mr White: I think the point in regard to the Planning Act amendments was that they were consistent with Mr Sewell's commissioned report recommendations. They are, as was mentioned, interim staff there, primarily administrative and housekeeping, but they are none the less consistent with it. There is no statement at this point in time by either the ministry or any political officials of when those overall amendments to the Planning Act will occur. I think you will be participating in that at more or less the same time I will be, Mr Wiseman.

Mr Wiseman: I'm just curious as to the time frame on this, which you did not answer.

Mr White: That's right. Thank you.

Mr Hope: It says "future."

The Vice-Chair: Thank you very much. I thank the members of the committee and in particular the representative—Mr Jackson?

Mr Jackson: Mr Chairman, if I might, on that point,

perhaps it might be helpful to the committee and its understanding and Mr Wiseman with his question if we invite Mr Sewell to discuss those elements of his recommendations which impact on the legislation before the committee. If the government has the right to cherry-pick the Sewell commission report and play with any element or all elements of it, as it chooses, I respect that right. But as a committee, we're charged with the responsibility of amending and approving legislation which will have a significant impact.

I think we should provide Mr Sewell with an opportunity to comment, as well as for members of this committee. We are incapacitated to a degree because we do not have the minister with us and we have no assurances that he'll revisit the committee hearings at any point during our proceedings.

So, for my part, I'd like to recommend that. I notice that there are considerable gaps in our times in which we can accommodate that. With the committee's indulgence, I would put that forward as a direction for the committee to follow.

The Vice-Chair: Are you moving that?

Mr Jackson: It could be a motion. I think we're fairly flexible as a committee that we can proceed on the basis of a consensus among the committee to invite Mr Sewell.

The Vice-Chair: It would have to be a motion then.

Mr Jackson: It's your problem. You're the Chair. So I have to put that in the form of a motion?

The Vice-Chair: Yes.

Mr White: Could we allow the staff to leave the bench while we discuss this? I don't think this involves them directly.

The Vice-Chair: Okay, we'll just suspend discussion for a moment. Again I thank the officials from the ministry. We'll probably see some of you again in the clause-by-clause discussions. Thank you for coming, for preparing the presentation and for answering some of our questions.

Who would like to speak to the motion? Mr Jackson is correct that we do have some extra time available. Mr Sewell is presently not on the agenda of the committee, but as Mr Jackson says, of course the committee is free to extend that invitation.

Mr David Johnson: I think we'd all support that.

The Vice-Chair: Do you all agree?

Mr David Johnson: I'm sure, since I've seen a fair amount of interest.

The Vice-Chair: Does anybody want to say anything?

Mr Hope: I was listening to the comments and everybody was saying something—

The Vice-Chair: Who wishes to speak at this point? Normally, if you wish to speak, you raise your hand.

Mr Wiseman: It's just like in school. I for one would agree. I think that Mr Sewell coming to the committee to give us some indication of what he's managed to glean from his trek all over Ontario would be extremely helpful for this committee. I would support that.

Mr Norm Jamison (Norfolk): The government, at this point, hasn't finally dealt with the Sewell report itself; as the government we're in the midst of doing that. I would be opposed to that at this point on the basis that we wouldn't want something said in committee by Sewell to become what you could construe as being policy at that point. The Sewell commission report should be dealt with first by the government.

The Vice-Chair: Are there any further questions or comments on this matter, then?

Mr David Johnson: I have a question of the previous speaker. Are you suggesting that the Sewell report should be dealt with first, before we deal with Bill 40?

Mr Jamison: The Sewell report is separate. We talk about the Sewell report and some need for change, but the changes have not been finally decided upon at this point. The Sewell report is still a report at this point.

Mr David Johnson: I think the point that's being made is that the Sewell report should be dealt with first, which I think we would all agree to, since within the comments that are made today—

Mr Jamison: I'm saying before it's appropriate that Sewell come here.

Mr David Johnson: —it is clear that some aspects of the Sewell report are part of this bill, but I'm afraid we don't have that particular luxury. The bill is before us over the next couple of weeks and we need to deal with it. I think it's only fair and I think many of the questions that will come up from municipalities, that sort of thing, can only be dealt with if we have the fullest knowledge. I frankly don't see any way of getting that, other than to invite Mr Sewell to come and speak to it. Then it will be abundantly clear what aspects of the Sewell report we're dealing with through Bill 40 and we'll understand the ramifications. I think that would be the sensible way to go at this point.

The Vice-Chair: Mr White, Ms Poole and then Mr Mammoliti, and if we can't conclude this today, perhaps you might want to consider this again and bring it up tomorrow. I don't think we necessarily have to make a decision on this, but I'll leave it up to the committee.

Mr White: First off, I would suggest that Mr Sewell's comments I'm sure would be very valuable. My understanding is, as I'd mentioned before, that the changes which are reasonably minor and of an administrative nature, as Ms Dewar commented, are consistent with his recommendations, and in fact that Mr Sewell was consulted in regard to them. I believe Mr Martin, the provincial facilitator, was as well and they are

consistent, as was earlier mentioned, with some of his concerns and I believe have the general backing of most people in the municipal and in the development industry.

Mr Sewell's agreement that they are of an interim or minor nature and that they are consistent with his recommendations is something which I'm sure could be ascertained in letter form. The problem I would have with having a thorough discussion with Mr Sewell is that the intent of this bill is community economic development, and not the thorough-going reform of the planning process, which will be addressed I believe in the relatively near future.

The main thrust of this bill is of course the main thrust of our discussion this afternoon, the community loan funds, the community development corporations, the community investment share corporations, which I don't believe were the main aspects of Mr Sewell's commission.

I would suggest that Mr Sewell's testimony, while I'm sure it is very informative, would not be relevant to most of the bill and would somewhat distract committee members prior to a major reform of the planning process.

Mr Jackson: On a point of information and clarification: Is the parliamentary assistant suggesting that the Planning Act amendment sections are going to be withdrawn for this committee's consideration? I wouldn't be distracted by this.

The Vice-Chair: I don't think that's a point of information.

Mr Jackson: He indicated that was an area that was going to be covered.

The Vice-Chair: I think we all understand that this matter is before the committee.

Ms Dianne Poole (Eglinton): I'd like to support the motion to invite Mr Sewell. I think both Mr Sewell and Mr Martin have been working quite extensively in the planning area over the last year. It would be extremely helpful to get their comments when analysing the legislation prior to voting on the clause-by-clause. I think it would be helpful to find out the rationale for a few of the proposed amendments relating to the Planning Act.

Also, I did have some questions, which I was not able to ask today because of the time constraints, relating to the planning process, and I think other members had this problem as well. I think Mr Jackson indicated he had a number of other questions. It just seems to me that they're two valuable witnesses it would be extremely helpful for this committee to listen to prior to making a final decision.

The Vice-Chair: Thank you. Mr Mammoliti, can you then perhaps call the question, unless you want to defer a vote on this matter.

Mr George Mammoliti (Yorkview): I just want to mention, and remind the individuals who sat on the subcommittee, that the issue of witnesses came up at our meeting prior to the committee getting together and we determined that there would be a list of individuals who, from what I can gather, have all been accepted to come in front of the committee on certain dates. The issue came up and we talked about the potential witnesses we all might want to have in front of the committee, and at no time did I see Mr Sewell's name on any of those lists, the list for the Conservatives or the list that the Liberals had submitted.

Of course, having said that, and while I understand the member's motion, from what I can gather of the motion it's strictly information he's looking for. I think I speak for our committee, for the government side anyway, when I say that perhaps it's best at this point to defer it till tomorrow. That gives us a chance to not only talk about it but to look at the positives this might bring as well. So while I want to remind people of the meeting that took place before we started this process, I can understand the motion, but I think in all fairness you should give us an opportunity to discuss this before you put such a motion, and to agree.

The Vice-Chair: It seems to me that's fair and I appreciate that. I think we all understand that Mr Sewell wasn't on the agenda and that it is the subcommittee that does set the agenda for the committee. However, since there was some time and this matter has come up in the discussion, I think it was a reasonable proposal to put forward. I think we've got the viewpoints there at this point. As I indicated myself, I don't think we have to make a decision on this today, and since the whip for the government side has asked to consult a little bit on this still, perhaps we can vote on this matter tomorrow.

Mr Phillips and then Mr Hope.

Mr Phillips: Just to support the motion and to say that it wasn't the opposition parties that raised Mr Sewell's name; it was part of the rationale for the amendments that the government went over today. It

was, to quote, "These are consistent with the recommendations submitted recently by the Commission on Planning and Development Reform in Ontario, also known as the Sewell commission." It was as a result of the testimony this afternoon that I think the motion was put, so I think it's unrealistic to accuse the opposition of not bringing his name forward. I think we have heard only now the testimony of why the amendment is in there and I would hope that we don't use—

The Vice-Chair: I think it's understood that it's fair, and if I understand the whip for the government side correctly, he understands the request. He just would like a little bit more time before coming to a final conclusion on this and I think that's reasonable as well. Mr Hope.

Mr Hope: From what I understand, you're just going to ask him if he wanted to make comments on the bill, and you can't force anybody to come before this committee.

The Vice-Chair: No, that's understood.

Mr Hope: He can always say, "Sorry, my schedule doesn't allow it." So you write him a nice little letter saying: "Would you like to come before the committee; you're getting a special privilege here," versus the normal public that writes an application.

The Vice-Chair: It's understood, of course, that this would be an invitation if he's available. That's understood.

Are we then agreed that we—

Mr David Johnson: Could we deal with it tomorrow morning?

The Vice-Chair: Yes. Is that agreeable? So if it's possible, we can deal with it first thing. If not, then perhaps at noon we'll find the appropriate time to look into this matter. Obviously, if Mr Sewell can come, we have to advise him as soon as possible. So if you can think about this, we'll deal with it tomorrow. Thank you very much. The committee is adjourned until tomorrow at 10 o'clock.

The committee adjourned at 1514.

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James Loken, solicitor	

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Morrow, Mark (Wentworth East/-Est ND)

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Wessenger, Paul (Simcoe Centre ND)

***White, Drummond (Durham Centre ND)**

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Haeck, Christel (St Catharines-Brock ND) for Mr Morrow

Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

Jackson, Cameron (Burlington South/-Sud PC) for Mr Arnott

Jamison, Norm (Norfolk ND) for Mr Fletcher

Phillips, Gerry (Scarborough-Agincourt L) for Mr Sorbara

Poole, Dianne (Eglinton L) for Mr Grandmaître

Wiseman, Jim (Durham West/-Ouest ND) for Mr Wessenger

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Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Mardi 24 août 1993

Standing committee on
general government

Community Economic
Development Act, 1993

Comité permanent des
affaires gouvernementales

Loi de 1993 sur le développement
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Tuesday 24 August 1993

The committee met at 1004 in the Humber Room, Macdonald Block, Toronto.

COMMUNITY ECONOMIC
DEVELOPMENT ACT, 1993

LOI DE 1993 SUR LE DÉVELOPPEMENT
ÉCONOMIQUE COMMUNAUTAIRE

Consideration of Bill 40, An Act to stimulate Economic Development through the Creation of Community Economic Development Corporations and through certain amendments to the Education Act, the Municipal Act, the Planning Act and the Parkway Belt Planning and Development Act / Loi visant à stimuler le développement économique grâce à la création de sociétés de développement économique communautaire et à certaines modifications apportées à la Loi sur l'éducation, à la Loi sur les municipalités, à la Loi sur l'aménagement du territoire et à la Loi sur la planification et l'aménagement d'une ceinture de promenade.

Mr Michael A. Brown (Algoma-Manitoulin): Good morning. The business before the committee this morning is to hear public input on Bill 40, the Community Economic Development Act.

ONTARIO HOME BUILDERS' ASSOCIATION

The Chair: This morning, our first presentation will come from the Ontario Home Builders' Association, Mr Ward and Mr Gonyou. Good morning. You've been allocated one half-hour by the committee for your presentation. The members always appreciate some time to discuss your presentation following it. You should introduce yourselves for the purposes of our Hansard recording and then you may begin.

Mr Phil McColeman: First of all, my name is Phil McColeman and I'm the president of the Ontario Home Builders' Association. Mr Ward is not with me; Ken Gonyou is with me, just for the record.

I am a small builder from the Brantford area. I own a small company that employs nine people. Ken is a builder-developer from St Catharines and is a member of the OHBA land development committee.

I am going to speak for a couple of minutes to explain OHBA's interest in the amendments to the Planning Act that are contained in Bill 40. Then Ken will take over and go into more detail on some of the proposals. Our remarks will take a little over 10 minutes and then we'd like to answer any questions you have.

At the outset, I want to make it very clear that we are only going to comment on the proposed amendments to the Planning Act. This covers section 49 to 66 of Bill 40.

I probably do not need to spend a lot of time going

over the facts and figures about the state of the housing industry. The Ontario housing market has been depressed for four years. Last year saw a bit of improvement, but starts this year will slip below 50,000 and probably go as low as 45,000 starts. As you can appreciate, this has had a tremendous human toll. Over 100,000 jobs have been lost in the home building industry. But the depth and length of this depression makes this more than one of those cycles where jobs are temporarily lost. The industry has been weakened to the point where recovery cannot be something that is taken for granted.

The downsizing of companies that have stayed in business has scattered a lot of talent and expertise. The inventory of serviced lots and draft-plan-approved subdivisions has been used up and is not being replaced and a combination of environmental and economic risk is making financing for land development more difficult to obtain.

In short, even if demand was to suddenly return tomorrow, the industry infrastructure is not in place to allow it to respond. This is the context in which we are looking at proposed amendments to the Planning Act.

A little over a year ago, the Honourable Dave Cooke, who was the Minister of Municipal Affairs, described the approvals process in the following terms: "The province's approval process does not work. It is too long and too confusing. And it is costing us jobs."

We desperately need a streamlined and efficient process that will enable the industry to respond quickly to changes in the market, and we believe the amendments that are being proposed in Bill 40 point us in the right direction. I'll pass it over to Ken, who will now speak to some of the specific amendments.

Mr Ken Gonyou: Good morning. I'm Ken Gonyou. I'm the development coordinator at Landcorp Ontario Ltd in St Catharines. We're a builder and land development company. We're a small company, but we're a pretty active company.

Before I began working with Landcorp six years ago, I spent 13 years in the public sector, where I was a planner for the city of St Catharines and the city of Welland, and before that, York region. So I've been on both sides of the fence on these types of issues.

Last fall, the Ontario Home Builders' Association worked with the provincial facilitator and the Urban Development Institute to organize a series of one-day workshops to identify best practices and planning in the approval process. These were the Building on Success seminars.

One of the suggestions that came out of these seminars was the idea of a more complete application form. One of the things that definitely slows down the system is the quality of the applications that are in the process. There are a lot of applications out there that aren't going anywhere but still use up valuable resources and everybody's time. The concept of a complete application form, if it could be described, might avoid this source of delay and it would mean fewer false starts because a study or information that perhaps should have been submitted at the beginning of the process is missing. That's the theory and that's one we support.

A draft of the complete application is being prepared and we've had a chance to take a look at it. I think it's fair to say that as good as the idea sounds in theory, it'll be somewhat difficult to apply in practice.

A significant problem is that some information requirements need to be phased. Many questions on the application form cannot be answered until you have answers to earlier questions at previous stages of the review process, and the answers to these earlier questions may need to be confirmed by the agencies that are reviewing your application.

For instance, the application forms that are proposed are asking for areas of cut and fill, storm water management, sewer and water capacity, detention ponds, these types of details at the beginning of the process, and all these technical matters might have to be revised later on, once the public gets involved in the process and wants to change the design of the development.

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A second concern is that not all types of information are relevant for all types of proposed developments. Therefore, if a proponent has to justify not including a specific study or certain information with his application form, this might actually be as onerous as actually the study itself.

A third problem is that the information does not always exist or is not always reasonably accessible in the early stages of the development process planning. There are a lot of agencies and staff that perhaps aren't willing to dig out a lot of data and commit a lot of time to finding information that might have to be revised three or four times before they actually get down to the final approval of the development.

We all want to be able to say that the application has been carefully thought through before it's submitted. For instance, all municipalities require preliminary discussions before you submit your application and before they'll accept it. As applicants, we don't want review resources wasted on an exercise in futility.

But the sense of completeness that is represented in the draft application form is turning the draft approval and registration concept on its head. Some are putting the cart before the horse. Under the current system, an

application is completed by answering general questions and filling in bits of information over time if the information is needed. When the general questions have been answered and the public is satisfied with the development, a subdivision gets draft approval, and then when all the specific details are worked out in the final plan and subdivision agreement, the subdivision gets registered. Therefore, the current system has a number of steps. It has a preliminary discussion phase to provide general information and the public gets involved, the development gets draft approval and then you get into the technical design details. After that, the plan gets registered.

The complete application, as it's currently drafted, is trying to get all the information that will ever be required and bring it together at the very beginning. Some people have correctly pointed out that the application is not calling for information that is not already required at one point or another during the development review process. But the idea of asking for all the information at once, at the beginning, is different and no one knows if it's realistic or a waste of time and money.

Earlier this year, the provincial facilitator's office set up a pilot project in three cities to study the effectiveness of mediation in cases going to the Ontario Municipal Board. We believe the complete application idea calls for a similar type of pilot project.

Before the complete application becomes a standard practice and before information for a complete application is prescribed in regulations, we strongly urge that the complete application form be put in the field, in perhaps one or two municipalities, on a trial basis first.

As Phil pointed out, serviced lots and draft-plan-approved subdivisions are in short supply. In many cases, the land that's currently available for development in the subdivision designs, and some already in place, isn't really suited to today's market. Neither the province nor our industry can afford to be hamstrung by a well-intentioned regulation that does not work in practice.

I'd like to thank you for your attention, and Phil and I would be pleased to answer any questions you might have.

Mr Bernard Grandmaître (Ottawa East): You mentioned that you've had a few seminars with the provincial facilitator, Mr Martin. Did you have a chance to appear before the John Sewell commission?

Mr McColeman: Yes, we did, many times.

Mr Grandmaître: Tell me about your recommendations to Mr Sewell.

Mr McColeman: To take the time to give you our full submission and all the details of it, we'd be here for a long, long time. Suffice it to say that in relation to the two people you've mentioned, Dale Martin's work and John Sewell's work, we've been very supportive of the

work of Dale Martin because he has improved the approvals process and he's got things on stream in a much more timely fashion than has been previously experienced.

Mr Sewell's work went well beyond streamlining the approvals process, which we originally thought it was intended to do. Mr Sewell's vision of how we would develop and live in the province of Ontario is not one that our association has totally accepted or agreed upon. There are a lot of elements in Mr Sewell's report that we have commented on publicly that we did not agree with. As I said, if we were to spend time on each of those areas, it's not the place to do that, because we just don't have the time.

Mr Grandmaître: You talked about the approval process, and I agree with you that it does need to be streamlined. You also talked about the lack of serviced lots in the province of Ontario. This is why you people, like other developers, are stalled at the present time. People are losing jobs for the simple reason that very little construction is happening in the province of Ontario. Are you telling us that municipal governments should be acquiring more land and should service this land? Is this the message you're driving at?

Mr McColeman: I'd say absolutely not, but I'll let Ken respond to that.

Mr Gonyou: I think it's not a matter of land being provided for us; it's more of a matter of getting through the approval process, which in a lot of cases takes more than two or three years. For instance, in the region of Niagara, they have a sort of in-house policy where when they receive an application they say that they want to get that application out, get it circulated to the agencies for comment and get their report to their committee in council within six months. I've got a report from the regional planning department and I've reviewed a lot of the statistics in the report, and what I'm finding is that there are numerous subdivisions.

If I can just look at a statistic here for a second, out of the circulated draft plans on the circulation list right now, 31 of them in the region of Niagara are under four years, just circulated. This is sending them out to agencies and saying, "Send your comments in to us so we can prepare our reports." Out of the 31 subdivisions that are under the four-year process, the average age of the subdivision in circulation is 1.86 years. So it's taking over a year and a half just to get the comments from the agencies so that they can prepare the report to council.

One of the submissions I personally made to the Sewell commission was that one of the ways to really speed up the process is to put a time limit on the circulation process. When you send the plans out to the agencies for comment, they should be able to get their comments back within a specified time frame, not kind of let it sit on the corner of somebody's desk for a

number of years. Then, when the comments finally do come in, sometimes it's only, "We have no objection," and we're scratching our heads saying, "Why did it take so long to say, 'No objection'?"

Those are the types of things that we find are really slowing the process. We can always get our hands on acquiring the right lands and dealing with the local planners and the regional planners. It's the commenting agencies that seem to be tying us up.

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Mr Hans Daigeler (Nepean): I appreciate you coming before the committee because, frankly, that part of the bill, trying to do some streamlining, I guess, of the OMB process, I think is probably a very good one. I'm not quite sure how this section got into Bill 40, because I have a bit of a hard time seeing how this relates to the other aspects of Bill 40, but never mind, that's not a question to you.

I'm wondering, though, where these particular changes that are being made with regard to the OMB process, that are being made right now, are they're coming from. If you have an opportunity to make changes to the process, would you say these are the changes that we need to make right now and, yes, that's the one where we should start? In other words, you seem to say in your presentation, "Yes, we generally support what's happening here," but you really didn't say very much. Is that your top priority? Is that where government should act if it does act right now?

Mr McColeman: I believe yes, definitely. To respond, we, as I mentioned, have supported Dale Martin's work which is a very, I would call it, pragmatic approach to making things happen now so that we can get our employees back to work so we can start building houses that suit this market condition.

There are definitely some streamlining changes, to answer your question, that have resulted from his work from the provincial facilitator's office, and we've encouraged him and urged him to make pragmatic and practical changes that work in the field. That's what he's been concentrating on, pulling all the various interest groups in government—over 30 people who would comment on development applications—together and saying: "Here, do you like it or don't you? Say yes or no, but let's get a decision."

So yes, that's what we've encouraged and actually consulted and worked very diligently with him in helping him get through some of the changes that are being proposed.

Mr Daigeler: Do you see that reflected in the bill before us?

Mr McColeman: Yes.

Mr David Johnson (Don Mills): Another part of the bill that's before us today would allow the minister to charge for fees for planning applications submitted to

the province for approval. I wonder if you have any comment on that?

It says in the brief that we had yesterday, at the bottom—the pages aren't numbered but at the bottom of the second to last page—I don't know if you got the brief or not, maybe not—it says that, "Some of the applications under consideration for a fee are plans of subdivision, condominium, severances, zoning orders, part lot control, validation of title and power of sale," for example.

Mr Gonyou: I'm not sure how charging a fee would speed up the process other than you might weed out some of the speculators who are just sort of getting a plan approved and then flipping it off to someone at a later date.

The real developers that have applications in submission, if they submit a fee, they're going to be really pushing to make sure that the application gets approved within a reasonable time frame. If there a fee was to be charged, I would like to know that if we're going to pay a large fee for an application, we would have some guarantee of when the application is going to be approved rather than have the fee tied up for five years.

Mr David Johnson: My suspicion is that it isn't necessarily to speed up the process; I think it's just to extract money. That is my guess.

Mr McColeman: Can I comment from another angle or another context, and that is the health of the building industry, the residential building industry as I know it and represent it for over 4,000 member companies is the supply of affordable land on which we can build. Every time a fee is added or a new levy comes into place, as you know, our personal challenge is in association to the levy system that exists today. It is ongoing and will continue to go forward and we've had some successes.

What we are doing is we're fighting for the consumers of the province because it translates into the affordability issue of the house. If you add on more fees, you can just expect the lineal foot of a building lot to increase because any kind of speculative profit no longer exists anywhere on any type of land that's being developed today. It's estimated for that the cost of developing a building lot today, the tax burden is somewhere in the 30% range of the final price of the lot and could be higher depending on the time of carrying it, if it's three to five years, to get it developed.

Mr Cameron Jackson (Burlington South): Or the municipality.

Mr McColeman: Exactly.

Mr David Johnson: The preliminary to the comments on the planning amendments indicates that: "The proposals are a positive step toward further improvements in the planning system. They are consistent with the recommendations submitted recently by the Commission on Planning and Development Reform in

Ontario, known as the Sewell commission." Mr Jackson has suggested that Mr Sewell come to this committee to speak to that issue, but we're wondering, from your perspective—a little concerned because we know that your industry is not totally in agreement with the Sewell commission.

Is there anything else, other than this form, that would require all of the information up front which you think may not be practical? Is there anything else in here that has sort of come out of the Sewell commission that you have some concerns about?

Mr McColeman: Our major issues of concern with Sewell are not in this document, not in this streamlining. This is geared towards the streamlining issues, not the philosophical issues Mr Sewell presents.

Having said that, our disagreements with John Sewell relate more to his vision of how business and communities and the public sector would work together, his vision of where we would live and how we would live, so it's not specifically—we think that the streamlining things are more oriented to Dale Martin's work and not John Sewell's work.

Mr David Johnson: His vision, I think, is very much of a centralized community and, I've heard some builders say, would make it very difficult to build a single-family house in rural areas, I suppose.

Mr McColeman: It would make it very difficult to build, yes. His vision is very much intensification—

Mr David Johnson: Intensification.

Mr McColeman: —and a totally different landscape of housing than we currently have in the province.

Mr David Johnson: What sort of wait time do you have at the Ontario Municipal Board now if you take an application? What are we looking at?

Mr Gonyou: I've currently made a submission to the Ontario Municipal Board to review a subdivision development that we're working on. I got the application in in April or May. I've made a number of submissions since and I still don't have any idea at all, and this is a phone call a week, when the hearing date will be. I was told, "Call me back in a couple of months and I might have some more information for you." This is to accommodate an affordable housing project and we have the support of the provincial facilitator and the province's housing program.

Mr David Johnson: I've heard that the waiting time can be well over a year, that it can be a year and a half, that type of thing.

Mr Gonyou: It's more than a year if it's a non-affordable housing situation. If it's an affordable housing situation, you might slip in there within a year.

Mr David Johnson: Has your industry suggested anything particularly geared at the Ontario Municipal Board that would speed up the process? I know you've

suggested a time limit in terms of seeking the input from various agencies. That sounds like a good one to me. This is gearing at the Ontario Municipal Board.

Mr Gonyou: I can't really say that we have, other than it just seems to be spreading it too thin or there's not enough people in the process to deal with it or the process is too cumbersome. There's just too much information being provided to the board in order to make a reasonable decision.

Mr David Johnson: Do you want to take a question here?

Mr Jackson: Could I ask just briefly, then—I know that your brief focuses rather specifically on the Planning Act amendments. Have you looked at the broader issues of the community development corporations, the opportunities for your industry to be recipients of financial support for starting up businesses and for doing certain capital works within the community? Has your association examined the broader Bill 40 for its implications to your membership?

Mr McColeman: No.

Ms Christel Haeck (St Catharines-Brock): Welcome. I'm looking at page 3 of your submission. You mention in the first paragraph that currently in preparing a plan for draft approval, you basically only have some general questions to answer and you feel that getting into having the complete plan available for approval almost at the outset would present some problems. That's how I read that. Am I correct?

1030

Mr McColeman: Yes.

Ms Haeck: Okay. One of the concerns I've heard from some of the resident groups in St Catharines, which Mr Gonyou obviously knows rather well—they have a concern and I think some of it's mirrored in what Mr Sewell has also brought forward, which is that residents do like to have a sense of what project they are dealing with. It's probably one of the issues why Mr Gonyou's at the OMB regarding a housing project, even if it is an affordable one. The people would like to have a better idea of what it is that they are actually dealing with through the whole development process.

Where is this off? In some way the residents and the people in the city, the people who are going to be living next to it, would like to know that what is a conceptual drawing, what they react to, is going to be pretty much what in fact is going to be on the site when it's over and that, as a result of a range of change orders or as a result of a range of other concerns that you as a developer or a builder may go through, the plan's going to look considerably different at the end. Where is this off in that?

Mr Gonyou: When a draft plan is submitted, it's generally a pretty basic drawing. It shows you where the roads are. It shows you what types of lots are going to

be where, where the parkland will be. The public at that point is just getting a general idea of what's going to be where and where the roads are going and where the traffic is going. The application form that they're coming up with now is asking for all the specific details of design, which the public really doesn't care that much about. They don't care about what size pipes are under the road.

Ms Haeck: I don't know. I've met a few people who are really interested.

Mr Jim Wiseman (Durham West): I'd be interested in that if it was going on in my subdivision.

Mr Gonyou: It's a matter of—for instance, Meadowood Estates, which is a subdivision that I submitted in 1990 and I still don't have a draft approval yet. We submitted the plan and went all the way down to the draft approval stage and there was a woodlot on the site and the public decided: "We like that woodlot. We want it kept for parkland." So we redesigned the subdivision around the woodlot. Then, once we redesigned the subdivision around the woodlot, the whole development had to be recirculated again. The whole game started all over again. So we're back to step one.

Then that plan was to the staff's satisfaction. The city planners and engineers and the people at the region liked the plan, so we went back to the public and they didn't like where one of the roads was intersecting, so we had to go back and play with that. Once we'd played with that second plan, then the local engineer says: "We have a problem with traffic design. We want to reroute the road again." So we're on our third redesign.

Now, if we had given all this technical information—we went and we had storm-water studies, cut-and-fills and all the technical information—we would have had to throw that information out three times and bring it all forward again. So this is like putting out too much information at the beginning, before we actually even know what the general design of the neighbourhood's going to be. Which one is the public going to want? Then we'll get into the technical issues.

Ms Haeck: We could be very specific about St Catharines or Niagara. There's been a real concern about tree removal. I think you understand that as a result of Mountainview Homes going in and basically clearing—I've forgotten—about a 10-acre site out of Niagara Falls, there was a furore that resulted in the community, because nobody knew that those trees were coming down. As a result of some school board building and removing all the trees, there's been an awful lot of concern. I think it's one of the things people do tend to react to.

I live very close to Welland Avenue and there was an awful lot of concern about tree removal there for widening of Welland Avenue. Because the neighbours

got involved and mediated with the regional municipality as well as the city—1,000 letters went in to the city of St Catharines, saying: "Look, we want those trees. We want to preserve an older neighbourhood." It is a mixed community, as you probably recognize. The downtown core where I live is older buildings closer together whereas, yes, the suburbs are spread out.

People have some concerns about what is coming into their neighbourhood. The conceptual drawing, which you say they may not sort of react to, in fact is what they believe is going to go there. When the plan changes over two or three years, they have some serious concerns. I think that just from my discussions with either my neighbours or some of the resident associations, they would like to have a clearer understanding of what your ideas are. I had an earlier discussion with the planners and with the municipalities so that their concerns are represented.

I understand that going around three and four or five times with a plan is costly, time-consuming and probably not the most exciting thing to do. But, by the same token, in fact the discussions with the community, the people who are going to live around this on a more regular basis, may in fact shorten the process. In fact, despite some other concerns I personally have with the Sewell commission report, that's one section that I strongly support.

Mr McColeman: I agree with you totally that you have to determine where the sawoff point is between being pragmatic and being, I suppose, controlled by the special interests of the builder or the community or whatever. On our submission, we have appendix 2, and appendix 2 shows you the practical numbers of housing starts and how our industry has been affected.

I agree with you that interests have to be protected, but I also agree with you that people have to have jobs in our industry and people should be working. Where there are situations—what I just heard—three and four times of having to redesign, the amount of time taken to do that, there has to be a line drawn and perhaps deadlines given to say these decisions must be made by this time in order that we can get this industry back to work and get functioning, because it can be the leader of an economic renewal as it has in the past.

Ms Haeck: The one question that came to mind as Mr Gonyou was going on about the time frame that the agencies took to respond, I wanted to raise the question of which agency. Are we talking, say, the Ministry of Natural Resources or the conservation authority when you're talking about floodplains, or what agencies are you talking about? You're not at this point usually going to the residents' groups to ask for their comments; it has to be some agency within officialdom that may or may not be responding as quickly as you would like.

Having been involved with a housing project in west

St Catharines, I was very surprised at the remarks from parks and recreation in St Catharines on some plantings that we were planning to undertake. So where are the holdups? Is it at the municipal sector or is it at the region? Is it within the ministries that you have to deal with?

Mr Gonyou: It's generally the ministries. If I can just go back to the subdivision that I was highlighting, that we're into three years and still before draft approval. We didn't really have trouble with the public. We've been the type of company, our particular company, we go to the public first in a lot of cases to find out generally what we want and we have never really had problems with the public in relation to our developments. It's more of the technical issues with regard to agency comments. In other words, the public might like the plan, but the technocrats or the provincial agencies might not.

The Ministry of Ag and Food has really been a slow agency for commenting. There are only two people that seem to be commenting on every subdivision in southern Ontario. The Ministry of Natural Resources, we have a great rapport with it, likewise with the conservation authorities, but they don't seem to have the resources staffwise to be able to comment on the applications within the time frame. There's just too much information to go through and there's a ton of overlapping: the conservation authority, the Ministry of Natural Resources.

Ms Haeck: I guess that's one of those things that is being addressed, yes.

Mr Gonyou: They're both doing the same thing.

Mr George Mammoliti (Yorkview): Who has the most power?

Mr Jackson: Ministry of Agriculture.

Mr Gonyou: You're right there. The conservation authority is a little more technical.

Mr Jackson: They'll stop you dead in your tracks.

The Chair: Thank you, gentlemen, for appearing this morning. I'm sure the committee will take your comments into consideration when we do the clause-by-clause later next week.

1040

ONTARIO ALLIANCE FOR COMMUNITY ENRICHMENT

The Chair: Our next presentation is from the Ontario Alliance for Community Enrichment, Mr Walsh.

Mr David Walsh: I have David Talbot with me.

The Chair: Good morning, gentlemen. You have been allocated one half-hour for your presentation. I believe the clerk's distributing it as we speak. The committee always appreciates some time to ask questions and to clarify some matters. You may begin by introducing yourself, your organization and then start.

Mr Walsh: I'm David Walsh, president of Realco Property Ltd. I have with me David Talbot, who can introduce himself later. We're both businessmen and we're interested in supporting community economic development. We're here to speak to some of the ideas around Bill 40. I'm particularly interested in speaking to the capacity-building side of it. There's the finance side and the capacity-building or community development.

I've had a long-standing interest myself in community economic development. I've been involved on the board of directors of about six non-profit housing groups here in the Metro area as a volunteer board member. Non-profit housing is a form of community economic development. If you want to see an example, these are business corporations that have fairly high budgets and employ people and run businesses.

With the problems we have around jobs today, the problems have really shifted to employment as a major issue that our community has to deal with. I've been working with a large number of people from different sectors of the community and trying to see how people from the business sector might support these efforts around job creation.

Back in 1991, we had a meeting at Ryerson with about 50 people from foundations and business and different groups active in community economic development like the community business centre. We made a presentation to the Ontario cabinet at that time. It's outlined here. It's about five pages. It outlines different capacity-building that needs to be done. Unfortunately, we've never had a response to this proposal that we made in 1991 in November which was, as I say, on the basis of two consultations with foundations and business people and many people from the community.

Subsequent to that, just this past May we held a conference with 48 workshops and 150 speakers, just to give people an idea of the interest in community economic development. We left a few copies of this with Lynn to distribute to members who are interested. During this conference, we published three daily newspapers called *Our Local Economy* just telling what was going on. I've left one copy with you. I've got copies of the others if you're interested. Also, we published three issues of this newsletter called *Community Economics*, which gives examples of community economic development throughout Ontario.

We've approached the Ontario government on numerous occasions to ask for support for these type of activities and we did get some support for the conference in May. But generally, the response has been that community economic development really doesn't fit within any ministry and we have to wait till this inter-ministerial committee is set up and until this type of legislation is approved before we can do anything.

I think we've missed a real opportunity in Ontario, because we've got some good legislation coming

forward in the way of Bill 40 for community loans, but a lot of the capacity-building and connecting business expertise with community businesses hasn't got going the way it should have, if there had been more support earlier. It's sort of a chicken-and-egg situation, with the government saying, "Wait till we have this legislation passed and then we'll look at capacity-building." But we should have really been looking at it more seriously two years ago and following up on the proposals that were made at that time.

In any event, we're here in 1993 and we've got to make the best use of what we have. One of the issues that we're particularly concerned about is where our public money is being directed. We read in the paper about training moneys being directed to train people for race horses and we see casinos coming on the horizon and wonder how much public training money will be involved there.

What our group is particularly interested in are services in the community that directly benefit people. Just to give you an example, we have a tremendous seniors population coming on our horizon, and there's really a need to see how different sectors from the community can be involved in these types of care services. It's a real area where community economic development could have a strong impact in the way that, as I say, non-profit housing has been a type of community economic development. We've really improved the housing situation for many people who are affected by falling incomes over the last five years.

I would urge the committee to see that public dollars are spent in ways that benefit the community, in caring services and job creation that is meaningful. There are many opportunities for meaningful job creation, so why do we need to spend it on other areas where the private sector is more interested or is out to make a profit? We should be giving concern to where public dollars are going, and that's what our group is really interested in.

Also, I think there's a need to draw on community expertise. There are a lot of business people like ourselves. We've both been volunteering tremendous hours for this conference. As I say, I was program director of this conference, and lining up 150 speakers takes a fair amount of time. We had one staff person for it, but we had over 75 volunteers, and this is what community economic development is. It's people in the community getting together and working towards a vision of a strong local economy that is self-reliant, that meets community needs.

As I say, there are many other business people who are interested, if we can build these partnerships. Bill 40 is a step in that direction with the community loan program. But on the community loan program, I'll let David Talbot speak to it more. He's on the board, for instance, of the Canadian Industrial Innovation Centre in Waterloo, which looks at 1,000 new inventions each

year. This type of expertise should be used in looking at a community loan program, and also there seems to be a tremendous need within the whole community economic development sector for a facilitation. We have a lot of groups that don't have a lot of business expertise, but with some facilitation we can bring different people from different sectors to work together.

One question is going to be, when you get these community loan programs set up, what criteria do you use to decide who's going to get the money? We should be looking ahead at those types of obstacles, those types of questions, right now and planning for them rather than realizing a year or 18 months down the road that they are a problem and only beginning to look at it then. I've raised this with people at the ministry and I hope that they'll look at it, but I think they're waiting for your committee to move on some of this legislation and get the ball rolling.

Mr David Talbot: Good morning. My name is David Talbot. I am on the board of directors of the Canadian Industrial Innovation Centre in Waterloo. I am currently serving on the Toronto interim credit facility, which I think is a forerunner of the loan programs that are being set up under Bill 40. I'm also chairman of the Entrepreneur Centre and I run my own consulting practice and have spent most of my 30-year career in business. I'm speaking to you this morning with several hats on, but most of all as a citizen of Ontario with an interest in job creation.

1050

Job creation is the focus and has been the focus of the Canadian Industrial Innovation Centre in Waterloo for 15 years. We're federally funded, and as David mentioned, we screen 5,000 ideas a year and fund about 1,000 inventors from the point of view that we look at the market viability of these inventions.

As you probably know, inventions in one generation create jobs in the next. So we're looking at a rather long-term phenomenon. Perhaps the foremost example would be the telephone, invented by Alexander Graham Bell over 100 years ago. If you look around the world today, you'll find virtually millions of people working in related industries.

Alexander Graham Bell was in Toronto in the 1870s and was unable to raise equity capital for his invention.

Mr Joseph Cordiano (Lawrence): Some things never change.

Mr Talbot: Some things never change, so the story is repeated many times.

The then owner and publisher of the *Globe and Mail*, George Brown, had taken out a six-month investment option. He had the exclusive world distribution rights for the telephone for about six months in the 1870s, and he let his option expire. Bell could not raise the money in Toronto, high-tailed it down to Boston, which is

where his father-in-law was, and raised all the equity capital and began to manufacture these new devices and ship them into Canada, where we tripled the import duty to protect the jobs of messengers.

Mr Jackson: Typical Canadian response.

Mr Talbot: Unfortunately it's a typical response, but there's a lesson there. Although it's easy to be critical and say yes, we've been doing this for years and our best inventions end up in the hands of other countries, there is an opportunity for us to do something, except that we're all sort of swimming around in the same sinking row-boat without having the new paradigm that everyone's looking for, and I don't mean two 10-cent pieces.

The message that I want to bring to you this morning is the result of some work that we've done at the innovation centre, and it has to do with our understanding of how things work in economics. It's something that's not currently taught. It took us many years of research and for me personally it was sort of a eureka experience when I first discovered this.

Insurance companies that are insuring human beings were created about 100 years ago and exist to this day, and have outlived four generations of insured human beings, yet they live on. The reason they've been able to do that is the discovery just about 100 years ago of the life expectancy of human beings, that human beings are born, live and die according to mathematical regularity, which means it's predictable. It's called the normal curve, or the mortality curve. All the insurance companies do is just make sure that their premium flow, their income, is just slightly higher than their outlay. As a result, the insurance corporations have now lasted well over four if not five generations.

We discovered at the innovation centre some work done in the 1960s by an American by the name of Joseph Steindl, who recognized an equally significant phenomenon. His work has gone I think unnoticed. He discovered that businesses are born, live and die according to the same mathematical regularity that human beings are born, live and die, except their life expectancy is a bit shorter—quite a bit shorter—and as a result business, small business in particular, where jobs are created, look like too high a risk. But there is a premium that can be calculated.

I guess the foremost message I want to draw to your attention this morning is the possibility of a new industry, first of all here in Ontario but perhaps a new industry worldwide, and it's called the business life insurance industry. If businesses are born, live and die according to mathematical regularity, then it should be possible for actuaries, the same way they did for human life insurance, to set up a scheme whereby business life can be insured. What that might very well do is free government from having to spend all the money that goes into guarantees, like the guarantees behind Bill 40,

which I think is an excellent program although it's rather small but a good start in the right direction.

What I'd like to leave with you is just that thought or that suggestion that it may be possible to form a study group, with the universities involved, with the banks and perhaps insurance companies, to put a pool of funds together, a small pool, to investigate this new paradigm. I think it's quite interesting from an intellectual point of view, but I'm not an intellectual. I'm an engineer by training, and I'm much more interested in the practicality of putting Ontarians back to work.

If it is possible and if the model I've cited is in fact viable from a mathematical and from a business point of view, we may end up forming here in Ontario the first business life insurance system in the world, which means that we would have a very large pool of funds available to all individuals who wish to form a company, a business. We would therefore be able to insure the loans, not just guarantee them, we would be able to insure investments and the pool of insurance funds would be self-sustaining.

Now, the premium may be high. I know the Small Business Loans Act, which is administered federally, had something to the effect of a 4% or 5% write-off where the loans are backed usually by equity or by real estate or assets. It may indeed be that this business life insurance program needs a premium much higher, but it would be a transaction-based premium. If someone wanted, for instance, \$10,000 as an equity investment or even as a loan, it might require a 20% premium, which means that they might get \$8,000 and \$2,000 would go into a self-sustaining insurance fund. I pick these numbers arbitrarily.

There is some research required. Steindl's work is over 20 years old and needs to be updated and perhaps studied in the context of the Ontario economy. But it looks to me as if it makes sense and is something that might be worthwhile for this committee to initiate, and I would be happy to participate in that. I have talked to a couple of the senior vice-presidents of two of Canada's major banks, who've also expressed an interest. In fact I've never seen bankers quite so interested in a concept.

Mr Jackson: Sharing the risk.

Mr Talbot: Sharing risk. In fact it's riskless and of course the bank's interest in the insurance industry becomes even more profound on the basis of that.

The Chair: Thank you. Mr Johnson or Mr Jackson.

Mr David Johnson: Well, perhaps to—is it Mr Baker?

Mr Walsh: Walsh.

Mr David Johnson: Mr Walsh, okay. I wasn't here when you started. My apologies. Mr Walsh, you indicated during your comments a thought which I fully concur with, which is that we should decide up front on

the criteria and who gets the money. We should decide now, we shouldn't wait until all the applications come in and then try to sort it out at that point. I wondered if you had any particular guidance you could give us in terms of your thoughts on the criteria.

Mr Walsh: I'm not sure that we could say very much in a couple of minutes here, but, as I say, in this particular conference, for instance, we had 48 workshops. There are a great many areas where funding is required, and I don't think we should take the prerogative away from local communities. It will be very interested communities getting involved in the loan program. Like the non-profit housing, you attract a mixture, though. You attracted a lot of church groups, a lot of community groups, but then you also attracted a lot of developers, and it sort of went off key there with some of these big developers taking advantage of the program. To me, it's most important the type of groups that you're working with on the loan program and that they have integrity, because I don't think we can make all the decisions from the top down. It is a program to give input at the local level, so I think we're looking for groups with integrity in the community to work with and I think the ministry's aware of that and has been talking to a lot of groups.

Mr David Johnson: Okay, let me just follow up on that then, and that's a concern to me as well, because the groups that are involved in the community, I'm sure we'd all agree that they need to have integrity, they need to have some business sense, they need to have a whole lot of qualities. Then there will be a board that will be formed to direct the loan fund or the share corporation, and that board in itself will also need to have all of those characteristics.

Since you've given a great deal of thought to this whole prospect, have you given any thought to the kind of screening or how one can ensure that the groups, the boards, that are involved will have those characteristics? Integrity, I guess, is one aspect, but they need to have business sense so that the kinds of applications they select are successful ones, so that the moneys that are put forward are put to good use, that type of thing. How does one go about ensuring that you get the right kind of people?

1100

Mr Walsh: I'll just take the example of Massey Place, a housing project in East York which you'd be familiar with, the history of that, going through a housing project and selecting the right board and doing the community consultation, deciding what type of housing to build in the community. It's going to be a similar type of decision in a way, although it will be broader in the sense that it's not just housing we're looking at here; we're looking at different businesses.

Again, I think we have to have some general principles of meeting community needs, and the politicians

will be continually cognizant of what's happening. But to say "You can't do this or you can't do that" is going to be difficult. But I think it's a good question and something that should be given some thought to.

Mr David Johnson: You specifically mentioned the seniors population, and that's a growing concern to all of us. I'm sure. You mentioned care services. I'm wondering how you envisage seniors services fitting in with the criteria that have been outlined for the community economic development proposal. Specifically, what sort of seniors services do you see that might be eligible?

Mr Walsh: There are a lot of unemployed people who have strong caring skills. My point is, how do we involve these people in the community? They're presently probably sitting at home watching TV with nothing to do, but they really have caring skills; say, a lot of single mothers who have raised children. The question would be, how do we involve these people in the caring of seniors as the need grows and grows?

We also have ex-psychiatric patients being deinstitutionalized into the community. How do we involve caring people in services related to ex-psychiatric patients who are often just being left to fend for themselves today?

These are questions that are not easy, but you could look at a whole range of seniors' services. Some are more specialized and more medically oriented; you're obviously going to need specialized facilities for those. But Meals on Wheels and examples like that which are already successful community economic development types of activities—there will just be a need for a whole range more as the seniors population increases.

I did one housing development that I was involved with and I found out that as far as job creation money was concerned, we were competing against golf courses and motel swimming pools at the same time as we were trying to look for job creation money to do a seniors project.

The lines are fairly obvious, if somebody's there to look at these judgements.

Mr David Johnson: One of the reasons I asked you that question is because, as I understand it, at least in the first instance, the thrust was towards tourism, manufacturing, and processing information and telecommunications technology. The ministry staff yesterday indicated that they would look at broadening that sort of definition. But I didn't really see a category that would include seniors in there. I wonder if you've looked at this closely?

Mr Walsh: I haven't looked at it closely, I haven't looked at the loan program, because I'm more interested in the capacity building in the community and the community development aspects. But I think your question is a good one as far as broadening that much

more into the caring services is concerned. We tend to look at these caring services as not making money and then as not being a meaningful part of the community. But the fact is that they're going to have a lot of social costs and that somebody's going to have to pay for them and there's going to be some subsidy involved. I think the government has a hard time dealing with this issue of how much subsidy and, if something is receiving subsidy, is it a meaningful business? My own feeling is that it is a meaningful business and that a lot of businesses receive subsidy, one way or another. General Motors receives huge subsidies, but somehow we see the caring for of seniors as something different.

Community economic development is people in the community saying what's important to them, and maybe caring for seniors and child care is more important than big cars and cheaper cars. Our long-term vision is to have people in the community being able to express their voice in this way.

Ms Haeck: Thank you very much. I must say I've found what both of you have had to say very enlightening. A friend of mine has been a small inventor and he's related to me his problems in trying to find venture capital. I've noticed, once having been elected, that various people have come to me and said, "Look, I've got this great idea, but I go to the banks and they say, 'Thank you, but no thank you.'" Basically there are some distinct limitations.

I'm interested in what you've had to say, Mr Talbot, on the inventions side of your talk. Could you expand a little bit? If someone wanted to get in touch with you—and I know there are other people out there who are really anxious to sort of get access to people like yourself who are going to provide encouragement and possibly the means by which their idea is going to see fruition—how do they go about this?

Mr Talbot: Your question is, how do inventors raise capital?

Ms Haeck: No, how do they get in touch with you? Basically, how do we make sure that other people know that your group exists? Because in reality there are a lot of people out there who've got valuable ideas and they're just not being addressed by the banks.

Mr Talbot: There are two issues here: one is getting in touch with the Canadian Industrial Innovation Centre in Waterloo, and I didn't come here to advertise its services.

Ms Haeck: No, but I'm going to make sure I get your card.

Mr Talbot: But that's all right. I do sit on the board, so I am not involved with the operations, but we do provide a very good service. In fact, I am told that we have been successful in putting most of the lawyers or shyster invention brokers out of business in Canada, with the help of the RCMP, because there was a thriv-

ing industry in this country taking advantage of inventors. Every citizen is a potential inventor. I'd be happy to give you the phone number. There's a 1-800 number and we have a substantial mailing list at the innovation centre.

We have 40 affiliated organizations across the country that are involved in the screening of inventions, and then investment of course comes later. Venture capitalists will not touch an invention until it's commercially viable. The insurance scheme that I mentioned to you would invest in all comers. Once an idea for a business or an invention got to a certain stage, the investment would take place almost blindly, on the basis of very little information, because of the actuarial phenomenon that we know that 2% of inventions will become very successful, so successful that any shares held in those corporations would pay for the 98% of non-performers. There are a number of precedents elsewhere in the world.

Mr Wiseman: Trivial Pursuit.

Ms Haeck: Yes, invented in St Catharines.

Mr Talbot: Yes, that's right. You don't predict the success of Trivial Pursuit in advance. The point is that if you set up a scheme where investments are available fairly easily—you don't want to back anything that's sort of fraudulent or frivolous, but the point is that you can't spend the kind of money Innovation Ontario, for instance, is spending. About 20% of their cash flow goes into due diligence. That's a very high cost, a very good program but a very high cost. But the investments that Innovation Ontario makes are also insured.

Ms Haeck: Do you give patent advice?

Mr Talbot: The innovation centre provides assistance in looking into the marketplace to see whether there are patents, to see whether there are any competing products on the market. With many of the inventions that come through the centre, the inventors are discouraged from investing any further and they're grateful for that advice, because they would tend to spend far more than would be worthwhile or would be practical without knowing it.

The Chair: You might want to permit your colleague Mr White to have a question, Ms Haeck.

1110

Ms Haeck: Well, I think I might yield some time.

Mr Jackson: Speaking of Trivial Pursuit.

Mr Drummond White (Durham Centre): I just want to thank you very much for coming forth. I thought that many of your ideas were exciting, innovative—the issue about the business insurance—I mean, real paradigm shifts, a real capacity to move forward. I think that's one of the things that is very true of the whole community development movement, that capacity to see a much broader horizon and have an ecological view.

As you were saying a few moments ago, what's the difference between General Motors and a seniors building? We have an artificial paradigm that says that these moneys should be for industry, which is defined in this sort of artificial way as opposed to what contributes to the community. Automobiles do, sure, in their own way, but so of course does the healing and caring process.

Many of the groups that you're associated with will be involved in setting up community loan funds, in social investment, in a range of the activities that are forecast under this bill. I'm wondering if you could, at least anecdotally, relate your knowledge of their knowledge of this and their response to it.

Mr Walsh: I just mentioned in my presentation that there's a real need for facilitation because they're generally familiar with it and they're aware that there is a shortage of funding for worthwhile proposals. I'm talking about a certain type of proposal with these groups we're working with. But there's a real need to help these groups develop and facilitate how they're going to judge business opportunities or investment opportunities. I'm not sure that's been taken into account. But there will be a lot of things that will be seen as the process starts. It's partly natural, but I think as business people we can look ahead a year or two down the road and say, if you start on certain things now, there's going to be a lot less pain for these types of groups that we're working with. We've tried to express this to the ministry. We haven't had a response yet.

Mr Cordiano: I would just like to say that your idea warrants further examination. I think it's an interesting one. Perhaps that will come to fruition some time in the future. But dealing with what the government has proposed in the bill that's before us, I would like to get some comments from you on the notion that there will be an interest in the broader public to invest in the corporations, the share corporation and the loan fund corporation. While the loan fund corporation seeks to provide capital for businesses—startup and otherwise, expanding—the kinds of investment that are going to be made by the public would require a return. As I understood it, in this bill there is no guaranteed rate of return. In fact, under the community loan fund, there's a ceiling on that, if I understood this correctly. The rate of return would not exceed the rate of return for GICs.

I'd like to get your comments and your views on how you think that might prove to be successful with the public that would invest in something like this, which would be rather risky, I would say. At a time when we are facing difficult economies in most industries, it's going to be rather interesting to see if you can raise capital out there in the broader public.

Mr Talbot: That's a profound question and a very good one. You did say "risky," and the idea is to

remove the risk. This program will fail. Bill 40 won't work. There's ample evidence elsewhere in the world and in this province why it won't work. I would categorize both the loan fund and the share investment corporation in the same category, although they're slightly different.

The reason it won't work has nothing to do with raising the capital. I believe the capital can be raised. I believe there are enough community-minded individuals who will make contributions, particularly if there is an RRSP type of kicker into the contributions. If there is federal and provincial support for a 40% tax credit, which I'm not sure is in the legislation—there was some talk of it.

Mr Cordiano: Not this legislation, no.

Mr Talbot: If there is no tax break or incentive, it will be more difficult to raise the funds. Provided there is incentive, and maybe an altruistic incentive is enough in various communities to put together a loan fund, and the money is pooled, the fund isn't large enough: \$300,000 for a share investment corporation is far too tiny even for a community like Elora or Guelph or Sudbury; it doesn't make any difference. They really should be pooled.

The question comes up: Who is going to make the investment? Let's say that we can raise the money and that the program grows and it grows well beyond the \$20-million or \$40-million budget. Let say it grows to \$200 million, \$500 million or \$1 billion, which is where it should be. The biggest problem is going to be to put the money out in a way that does create jobs but in fact somehow diminishes or eliminates the risk. You can see examples of things that are not working like this if you're looking at the labour-backed venture capital funds that have been set up: absolutely no difficulty raising the capital; major problems in putting the money out.

Your question about forming the committee that is going to make the investment: I do sit on the Toronto Interim Credit Facility, I think it's called. Are you familiar with that? There are four programs in Ontario which are precursors of the loan funds that are set up under Bill 40. I sit on the one here in Toronto. It's a \$200,000-some-odd loan fund.

The problem is the criteria that you ask. What are the criteria for making a loan or making an investment? If the insurance phenomenon, the insurance model or the paradigm that I mentioned, is valid, then you want to have minimal screening and you want to have a very large number of small loans and a very large number of small equity investments, because you don't know who the winners are. If you stand at a marathon race where there are 10,000 runners, you tell me, without knowing who's there: Who's going to win? The same thing is true in the insurance industry. You line up 100,000 people and tell me who's going to pay premiums from

age 15 to age 65. The insurance companies don't know, but they're smart, aren't they? They know that there is actuarial predictability to the life expectancy of individuals.

No loan committee and no share investment committee is going to know which of the loans is going to come back at prime plus four, which of the investments is going to become successful. All you can do is sort of put a wet finger up in the air. If you have a small number of investments, a small number of loans or a small number of share investments that you've made, it's like setting up an insurance company and deciding you're going to insure 6 people or 12 people or 45 people or 1,000. Insurance companies all went broke until they could get past the critical mass that was required to create the predictable, mathematical regularity with which human beings are born, live and die. It means a big pool. The private sector and government can afford to create that pool if it gets together. In fact, I'd like to see it all private-sector-funded.

A community share investment corporation set up in Guelph capped at \$300,000 with an investment committee or an advisory committee of business people is going to be asked to look at a number of investments. If they make 10 investments of \$30,000 each with no guaranteed return, what's the probability of those investments, or any one of those investments, producing enough return to pay back? It's too small. So the pool has to be province-wide, and we're not looking at \$20 million or \$40 million but we're looking at probably \$100 million per industry. And there's a trick to setting it up. If you pool \$100 million but only use the interest earned on the \$100 million, you can give the \$100 million capital back to the investors after a period of 15 years, let's say. Our calculations indicate that a pool of funds like that, set up on an insurance scheme, will produce a profit in year 16. I haven't seen anybody in Ontario or in Canada, or in fact in North America, making a 16-year investment decision. Nobody does.

The British did in 1947. They set up the National Research and Development Corp. They capitalized it at £50 million and it's now today, in 1993, the world's largest licensing corporation. It's a precedent for what I'm talking about.

Mr Walsh: I might just say that there are some investment funds now—I mean, there's the Calmeadow fund; 40 religious organizations have a fund called CAIF, Canadian Alternative Investment Fund—and they're very conscious of the criteria and where the money goes. I think there is a real need for demonstration projects. So while David is looking at the larger-picture end of business, I'd just urge the committee—it's a very small amount of money, as he was saying—to look at it as a demonstration project to learn more about—

Mr Cordiano: You mean Bill 40?

Mr Walsh: Yes.

Mr Cordiano: That's too expensive.

Mr Walsh: What's the amount of dollars involved as far as loans in this first stage?

Mr Cordiano: It depends on how much they raise and how successful they are. Twenty million is what's been allocated for the share corporations.

Mr Walsh: I just think, like in the housing sector, we need some demonstration projects to learn more about this whole area, and I think on the social investment side there's a need for this type of legislation.

Mr Talbot: There is an interesting precedent. David mentioned Calmeadow. The Calmeadow Foundation has set up very small loan funds in developing countries. Their payback rate on the loans is surprisingly high. What they've done is their investment is given to a group of individuals who act sort of as a support group, and if any one of the members of that small circle defaults on the loan, the others have to pick up the slack. Although these loans are very tiny, the behavioural aspect of that practice of loaning to a group of individuals who sort of have to help each other so they act sort of as a board of directors for each other but also pick up the slack if there is someone who falls behind—that model should be one of the criteria for the community loan funds to make sure there is a support group there and that the onus doesn't fall on just one individual operating all by himself or herself. It really should fall on a group.

1120

The Chair: Thank you, gentlemen. The committee appreciates the time you've taken to appear before us this morning, and certainly you've brought some challenging new ideas to the committee. For your information, the committee will be doing the clause-by-clause of this bill next week.

That completes the morning's presentations. As you will note from the schedule, there have been two cancellations.

Mr Jackson, I believe you had a motion before the committee. It would probably be an appropriate time to continue the debate on it at this point.

Mr Jackson: Yes, I had moved it, and if it's now on the floor for discussion, I simply indicate that I don't wish to pursue, nor do I think the committee wishes to pursue, the full Sewell commission report, but simply to discuss those elements of the recommendations that came from his public hearings around the province on those sections the government has chosen to bring forward and their impact on the legislation before us. Mr Wiseman suggested it. I merely put it in motion form.

The Chair: Thank you. Is there further debate on Mr Jackson's motion?

Mr Jackson: Just a recorded vote, Mr Chairman.

The Chair: First, I suppose, seeing as the motion was made yesterday, we would read the motion just to ensure that members all are familiar with what it is.

Mr Jackson has moved that the committee invite John Sewell to assist the committee.

Mr Jackson: I'll get Mr Cordiano. It will just take me a second.

The Chair: All in favour, please raise your hand.

Ayes

Cordiano, Daigeler, Grandmaître, Jackson, Johnson (Don Mills).

The Chair: Opposed?

Nays

Haeck, Hope, Jamison, Mammoliti, White, Wiseman.

The Chair: Mr Jackson's motion is therefore lost.

Mr Mammoliti: On a point of order, Mr Chairman: I just wanted it noted in terms of what happened a couple of minutes ago where a member on the other side had called somebody from the hallway to come in for the vote while a vote was taking place. I hope that the Chair will recognize on the record that this shouldn't have happened, and it needs to be put on record that it won't happen again.

The Chair: Mr Mammoliti, I think you would appreciate some responsibility—

Mr Mammoliti: It's out of order.

The Chair: —in the way this process works. Generally speaking—

Mr Jackson: Are you taking advice from Wiseman on points of order?

The Chair: —I would have technically asked two questions.

Interjections.

The Chair: Order. I would technically have asked two questions before a recorded vote. It was in order, and that's the end of that.

Is there further business before the committee? We will reconvene at 2 o'clock sharp this afternoon.

The committee recessed from 1126 to 1409.

The Chair: Order. The business of the committee is to consider public deputations with regard to Bill 40, the Community Economic Development Act.

COMMUNITY BUSINESS CENTRE.
GEORGE BROWN COLLEGE FOUNDATION

The Chair: Our first presentation for the afternoon will come from the Community Business Centre, David Pell. Good afternoon, Mr Pell.

Mr Randy R. Hope (Chatham-Kent): Mr Chair, before the presentation comes before us, just for the record, this document, which is labelled number 9, is that a document that's being supplied to us from the Ministry of Municipal Affairs in opening our first day?

The Chair: Yes, Mr Hope. I have a letter addressed to the clerk which indicates that it is exactly that. It's from Mr Burns, senior policy adviser.

Now, Mr Pell, the committee has allocated one half-hour for your presentation. You may speak for the entire half-hour, if you wish, or you may wish to allow some of that time for conversation with the members.

Mr David Pell: Thank you. I'll speak for significantly less time than 30 minutes.

Thank you for the opportunity to make this presentation. As the executive director of the Community Business Centre, part of my responsibility involves the coordination of a consortium of business development groups throughout Metro and York region. My presentation is on behalf of that group, so I'm here speaking for the York Business Opportunities Centre, the Y, the Toronto New Business Development Centre, the Centre for Entrepreneurship, the Metro Labour Education and Skills Training Centre and the Community Business Centre, which is part of the George Brown College Foundation.

The comments I would like to make will focus on two aspects of the act, one component related to financing and the other comment related to the training and education aspects of the act.

In general, I'd like to say that the Community Economic Development Act is, in our opinion, an opportunity for communities to play an active and important role in the development of local solutions to their economic problems. The act also enables participating municipalities and community organizations to develop local strategies and programs which will complement and support province-wide programs and private sector initiatives. So the group that I represent sees the proposed legislation and the programs within it as a very important component of much larger initiatives that are currently under way under the leadership of the provincial government and some within the private sector.

I am particularly pleased that the act appears to address most of the issues identified in a province-wide survey conducted by the Community Business Centre and several of our colleagues in 1990. This survey involved in excess of 300 individuals and organizations involved in community economic development across the province. In this survey, we attempted to basically identify what organizations were attempting to do, what opportunities they saw for themselves and, in particular, what the barriers were to further development and growth. Just for your information I'll summarize the key barriers, and I'll do this because the act has, in many ways, responded quite accurately and effectively to the barriers identified by the organizations active in community economic development work throughout the province.

The barriers that I have drawn from the study include the fact that there were inadequate financial resources for clients of community economic development organizations, basically people looking for small business loans. Inadequate planning and management skills were a problem that most community economic development organizations were experiencing; having a job that was much bigger and more complex than what they were able to cope with and the groups looking for opportunities for management training; inadequate technical skills to conduct the necessary research that these organizations have to carry out in terms of understanding markets and market opportunities and labour force trends and so on.

Fourth, all of these organizations experienced a problem in terms of integrating their social objectives, helping people who are unemployed to become employed, with the economic opportunities that exist in their community. So it's one thing to help develop or expand businesses; it's something else to make sure that the local people who are unemployed benefit from these businesses that are assisted. This is an issue that many of the groups were dealing with at the time and continue to do so today.

Another barrier that was identified that I feel is quite important is that at the time of the survey, there was a lack of what was identified as a provincial policy framework. Local organizations felt they were working in a vacuum in the sense that they didn't have a good idea of where the provincial or the federal governments were going with respect to economic and social development policies, and therefore were not clear as to whether the directions they had developed for themselves were going in the same direction or whether they were in conflict with where the senior levels of government were moving.

Finally, they also identified a lack of provincial infrastructure which would provide information and technical assistance. As I've already very quickly mentioned, many of these groups experienced difficulties in having or getting the skills and knowledge they require to be effective, and they also have not been able to identify sources of training and information that could help them with these problems.

As I've mentioned, the act in many respects addresses these barriers quite effectively and I'm sure there will be a good response to the programs because of this. But with all acts and with all new programs, it's not perfect and there is room for improvement. I know some of the people who will follow me will be addressing some of the limitations, so I'm going to restrict myself to just a couple that I don't think will be identified: one with respect to financing; the second with respect to training and education.

With respect to financing, just looking at the community loan fund program, this is an area of work that

I've had an extensive amount of experience in this province and in other places in the country. One of the weaknesses of the proposed program is that there is not a sufficient, in my mind, incentive for the contributor or investor. There is very clearly a group of people out there, individuals and organizations, who will invest in these loan funds; I have no doubt. In fact, our organization has money from organizations which will invest in a community loan fund.

But there is a much larger group which is sitting on the fence and it will sit on the fence because there is not sufficient incentive for it to invest. What I am referring to is that in other jurisdictions tax incentives have been made available for people who invest, or organizations which invest, in programs like this.

I am aware that the government is looking at making these investments RRSP-eligible and I would encourage you to move as quickly as possible in that direction because that's a well established and recognized incentive that I think many people would use. I would also suggest that we explore something that would enable registered charitable organizations such as my parent organization to invest in initiatives such as the community loan fund. As you probably are aware, in the United States this is possible through federal legislation.

I would recommend, without getting into the details today, that we look at what would be appropriate for the province of Ontario. There are charitable organizations in the province which are interested in this type of initiative but current legislation makes it very difficult for them to participate.

In summary, what I'm saying is that we do have a group of investors but we're also leaving some people out of the possibility of contributing or becoming active because of some barriers that still exist.

The second area that I'd like to touch on just very quickly is in the area of training and education. The technical and managerial side of community economic development work is as important—some people would say more important—than the financial side in that if you don't have a competent organization with the management skills, the business skills and planning skills, it doesn't matter how much money you have; you won't be able to achieve your goals.

Certainly, that's a problem that community economic development groups in Ontario have identified for themselves. They want assistance. They want help. The assistance that is available today is very limited. If you are part of the Community Futures programs sponsored by the federal government, there is a training program that is now available. The organization has to pay the cost, or much of the cost, but it is available. It's also very specific to that federal program, which leaves out many—most organizations, for that matter.

The economic developers who have their own council

and program have a very limited amount of course work and training work that's available. As a result, there is a large vacuum there for training for people involved in community economic development work as staff or as volunteers.

Some people in the room are aware that for a year I attempted to convince Ryerson to develop a program within its continuing education division which would be available on campus as well as by correspondence, and despite preliminary indications indicating there was a market for the program, Ryerson has decided not to pursue it. I feel quite disappointed in that decision and I also think Ryerson has made a mistake because there is a market there.

In summary, I'd like to say that with respect to the education and training area for community economic development, we do need to put in place some form of credit and non-credit training program, probably offered by a post-secondary educational institution in the province, that has the capacity for distance education so we can reach the communities in the north in the more isolated regions as well as the communities in southern Ontario. This, for me, is a priority concern and an area I'd like to see addressed in the immediate future.

1420

In conclusion, I'd just like to congratulate the government on the act. It's a very important step forward for this area of planning and economic development work. I think you will be impressed with the proposals that will be coming forward from the variety of communities interested in this area across the province.

The Chair: We have a number of people indicating they wish to pursue some issues with you, Ms Haeck and Mr Hope first.

Ms Haeck: Thank you for coming, Mr Pell. I would like to pursue your comments with regard to training at this moment, because I was involved with a co-op housing project in the early 1980s and I know that the resource group that gave of its time as well to make sure our project was a success definitely emphasized the training component and followed through with the residents for a year after their moving into the project.

How do you foresee the training really taking place? If someone is going to come forward with an idea, be taken on, they may not have all of the business expertise but have sort of a good technical background; what kind of training do you think they should be getting?

Mr Pell: There are training needs at at least two levels: There are training needs of the clients themselves and there are resource groups like my own that have been developed in many areas—certainly not all communities—that can provide those training needs. The more critical issue at this point is the area of training that members of the board of directors and the volunteers and the staff of the organizations require, including

staff of municipalities in the economic development departments and the planning departments, who are now in many communities being told, "Get involved in community economic development." This seems to be the direction that North America and western European communities are going.

That's fine to say but if people don't have a program they can get involved with, either part-time or full-time, to add to their body of skills, they are at a loss and are not going to be able to do the job that's expected of them.

There is a handful of people in Ontario right now getting full-time, university-level training in this area by going to a college in New Hampshire. To put it all too simply, that's the situation for that level of training. So we need a post-secondary education institution to take it on as part of its mandate.

Ms Haeck: For anyone who might be reading Hansard at some later date and trying to figure out—what kind of components would formulate a training program that you're addressing?

Mr Pell: What I'll do is summarize what we were proposing or investigating while I was assisting Ryerson. The program that was developed there was in response to some market surveys and it included: training in organizational development and management—how do you run a non-profit organization; how do you plan one; how do you resource one; how do you staff one—strategic planning, which would help an organization look at economic, environmental, social problems and opportunities and develop a plan that could be implemented.

We developed a course in financing: What are the sources of financing for economic development, both from conventional institutions like banks, trust companies and credit unions, and from the so-called alternative sources—foundations, pension funds etc. There's a whole area of knowledge and information that's necessary for people to effectively work in these areas.

Ms Haeck: Thank you. I'll turn the rest of the time over to Mr Hope.

Mr Hope: I was interested in some of your comments; first of all, those organizations that would probably have a socioeconomic background dealing with trying to help their communities out. I was interested in your comments because there are some groups I know, non-profit groups, in our communities that would probably like to invest somehow back into their community to help people off social services.

I was interested also when you were talking about the technical end of things. I'm wondering what your experience would be around the incubator process where you help small businesses. Mainly we will see this legislation working with small business because they're the most likely not to succeed in getting funding from

the banks. The big institutions, credit unions, only have certain limitations of what they can do for their community.

I'm wondering, with your experience around the incubator, because you were talking about the technical end and you were talking about Ryerson not putting forward the education process—and good luck when that will ever happen—but right now we have a situation we have to deal with and it's called employment.

I know in the Maritimes, and I forget exactly which one—I think it is Nova Scotia that has a program that's like an incubator where the municipality is involved in helping people on social services start up businesses. Then, once the business has generated enough, it is sold off and it moves out into the community. I'm wondering what your experience is and how you see that, especially from a rural community. I notice you represent Metro and York. You have a lot more people than we have and I'm just from a rural community, and I'm just wondering what your comments are around the incubator because it is important to us.

Mr Pell: Very quickly: Incubators in general have proven to be quite effective in terms of assisting people to successfully start up businesses. The one you're referring to has identified people on social assistance as their client group and their particular program has proven to be quite effective. There's actually an evaluation coming out very soon by Peat Marwick, I believe, that will, among its set of comments and observations, state that that program has saved the municipality of Halifax in excess of \$10 million from their welfare budget.

Incubators that work with more sophisticated experienced people who want to start their own businesses have also demonstrated a great deal of success in North America. If they involve a facility, they can be expensive. The organization I work for had a facility at one time and the board decided to give it up because operating a facility was taking up 80% of their time and too much of our budget. So I guess if there's a downside, that's the downside to the incubator idea.

In rural communities it's much more of a challenge because you don't work with as many and as great a range of business opportunities as you do, obviously, in a large urban environment. But there are examples, primarily in the US in places like Ohio and so on, where there has been success in the sense that people have gone through the program and successfully started their businesses.

A few years ago, I believe, there was a study sponsored by the American Express company. I can't quote them, but I do believe this is accurate. They concluded that in the US, the success of incubators was best summarized by saying that they had reversed the old rule of thumb that 80% of all businesses failed during the startup to the reverse, where 80% of all businesses

going through the incubator program succeeded in establishing themselves.

Mr Daigeler: Just for your information, it goes around the table here to the different caucuses.

Mr Jackson: When the music stops we all move.

Mr Daigeler: I must admit that I may not be as familiar with this community economic development as perhaps some others might be. I think some of the people who have written to us are not quite clear on that either, because we've got some submissions from business people and people who are involved in the private sector who look at this as one way to stimulate private economic development. I think it's clear what this has meant is there's a specific meaning to community economic development and you represent it, you're involved in this.

What is the relationship with the private sector? Can you explain a little bit to me what you actually do in your community business—I think that's the name of your outfit—and how that relates to the ordinary business person who is out there trying to make a profit? If I understand it properly, the big distinction here is that this is basically non-profit and we're trying to get financing for that, and I think there's room for that.

I don't want to deny that. I think I support that. But at the same time, we must realize that this is probably, and will always be, a very minor sector of our economy, and if we're relying on this sector to really get the economy rolling again in this province, we probably will have to wait for a very long time. That's not to deny the significance and the usefulness and the importance of what you do.

Can you explain to me a little bit what you do versus the private sector and how this fits together?

1430

Mr Pell: I usually charge for this information, but I'll make an exception here.

Mr Daigeler: So you are for profit.

Mr Pell: That's the point. The organization, ours and any other organization that calls itself a community economic development group, is a non-profit organization. Our mission is to assist private entrepreneurs or groups of people who want to start businesses to become profitable at whatever they want to do, so that our community's economy becomes a dynamic economy, able to provide employment and to generate wealth. We're a vehicle to help private entrepreneurs. So what we do at the business centre—

Mr Daigeler: Could I give you an example? I had somebody involved in gardening, and she's got expertise in horticulture, that type of thing, setting up gardens, and she wants to set up a business and make money. She could go to you and get business advice and the only difference is that you are non-profit.

Mr Pell: We won't charge her a fee. We won't ask for a royalty. We won't take an equity position. We're there as a community service to assist her to formulate her plans and to implement her plans and to become successful at whatever the business is, and there are a number of ways we can do it. It could be simply through providing counselling advice or getting information that she would have difficulty accessing, patent information, whatever, or maybe she needs to have some formal training in marketing and planning.

Mr Daigeler: How are you financed, then?

Mr Pell: Our financing comes in a variety of forms. Over the past three years we had a contract with the city of Toronto to assist small business owners in the city because the city of Toronto was concerned about losing its small business sector. In the roaring '80s, Toronto was becoming too expensive a city to try to operate a small business.

Currently, we have a contract to manage and deliver the Jobs Ontario program related to self-employment. We also have a contract with the federal government to assist people on unemployment insurance who have decided they want to be self-employed. A number of these people are new immigrants who are not able to practise their trade or profession in Canada.

We also receive funding for special businesses and business projects from private foundations and private corporations.

Mr Grandmaître: Have I got time for a short question?

The Chair: If Mr Jackson will permit it, sure.

Mr Grandmaître: Let's talk about the barriers that you've identified. I think one of my colleagues addressed the training barrier. Let's talk about the financing barrier. We were told this morning—I forget his name—that this program will fail because of the lack of incentives provided in this program and the risk of investors.

Mr Jackson: Too small a pool.

Mr Grandmaître: Too small a pool.

You just told us that you know of a number of groups, investors, that are willing to get going with this program as soon as it's in place. Can you tell me, why are these people waiting for Bill 40 to be enacted? Why can't they get going on their own now?

Mr Pell: Are you referring to the investor or the client who is looking for financing?

Mr Grandmaître: I'm talking about the total financing picture. I'm talking about the investor and also Bill 40, this economic development act, and providing people with the startup dollars. You know of a number of groups of willing investors right now. Why are they waiting for this program? Why can't they do it on their own?

Mr Pell: I'd like to make a comment both with respect to the investor—I'll start there—then the client, if I may.

There are investors who are making money available. The business centre, over the past three or four years, has approached investors on an individual basis as clients came to the point where they required some financing and we couldn't secure it through a bank or trust company or new ventures program or whatever.

Mr Grandmaître: So that investor is taking a chance. If he's being turned down by our financial institutions, then that investor is taking a chance; it's high risk.

Mr Pell: That's right. There are many of those investors, though, who would take that chance and there are many who wouldn't. Their organization would not permit it. Without exception, all of them have said to me that, "We would much prefer to participate in an organized program rather than work on this ad hoc basis where you call us up every time you have someone."

That's not a criticism of us. What they are saying is: "There's obviously a need out there,"—and I'll address that need in just a moment—"why don't we set up a system where we can identify what we can contribute and it will go into an organization and it will be managed by an established, reputable financial institution? That institution and that organization will make the loans or whatever, the guarantees that are required by the client. It would be less time-consuming for you and we will feel more comfortable with the arrangement."

That's been the barrier. There isn't a vehicle for them to participate in. The barrier is slightly different for the individual than it is for the labour group or the foundation or whatever, because of their legal restrictions.

With the clients, of the 150 people we now have who are finishing their business plans or actually trying to start their businesses, we estimate that approximately three quarters of them cannot get access to financing for a variety of reasons. Most of them, like 70%, require less than \$10,000. I'm sure if you read the newspapers like I do, and the business magazines and so on, you will know that this is the area of lending where no one wants to commit themselves: the banks, the trust companies, whoever.

I don't fault them. The reasons make sense. It's expensive to review and administer an \$8,000 loan if you're the Royal Bank of Canada. It's almost the same amount of work to process a \$50,000 loan, so why not take the \$50,000 loan client and ignore the small client? That's the situation.

We have clients who have good business plans, who are credible people in terms of what they're trying to do, but they lack a track record. Maybe they're new to the country. Maybe they lack some of the standard collateral that's required, or simply the amount of

money they want is too small and they don't have an uncle or an aunt to turn to for that short-term loan.

The situation has been the same and is the same in the United States, in every country in western Europe, and in Australia and New Zealand. It's a problem that all the industrial countries experience. As a result, and Ontario is a latecomer in this field of work, these alternative forms of lending organizations have developed. They've been developed and supported and endorsed by groups like the Organization for Economic Cooperation and Development.

Mr Grandmaître: It would be easier to push our banks or trusts or caisses populaires into changing their attitudes towards small and medium-sized business. Don't you think it would be easier?

Mr Pell: I don't.

Mr Grandmaître: Have you tried?

Mr Pell: I have personally tried. That may be a comment on me more than the banks, but I've tried several.

The Chair: Thank you, Mr Pell. We appreciated your presentation. For your information, the committee will be considering this bill in clause-by-clause next week and reporting it to the Legislature this fall.

1440

ONTARIO WORKER CO-OP FEDERATION

The Chair: The next presentation will be from the Ontario Worker Co-op Federation, John Brouwer. Good afternoon, sir. You've been allocated one half-hour by the committee for your presentation. I see that we have circulated a copy of your presentation to the members. You may begin.

Mr John Brouwer: Good afternoon. I'm John Brouwer. I'm the executive director of the Ontario Worker Co-op Federation. I want to thank you for the opportunity to make this submission this afternoon.

We're a co-op federation. We want to congratulate the government on this initiative supporting economic development in the context of communities. We of course value the specific inclusion of cooperatives as organizations eligible for the act's provisions.

The community loan fund program and the community investment share corporations program have the potential to provide access to job creation by those people who do not have the resources to create their own jobs. They further provide an opportunity for investors to become part of partnerships which can promote local economic development. Worker co-ops will take advantage of these opportunities to create jobs.

Worker co-ops, in common with the other cooperatives, have a full range of capitalization needs. This act has the potential to help the smaller worker co-ops in accessing the capital they need to create jobs.

We're suggesting a few amendments to the act to

allow it to work more effectively in a worker co-op context.

In the community loan fund, we recommend that section 16 of the act be expanded to include a member of a cooperative in the definition of "eligible borrower."

Entry-level participants in the economy seeking to form worker co-ops have similar obstacles to those looking to form other types of businesses. The community loan fund program can open up job creation opportunities for these entrants.

Worker co-ops generally have a membership of people from varying socioeconomic backgrounds. Each member is required to invest an equal membership share, and for less affluent groups, that's usually less than \$5,000. Those potential members who do not have the resources to cover their membership share could benefit immensely from this loan program. It would allow them to access the credit by which they could borrow the money for the member investment in their co-op business.

This would allow the co-op in turn to put together the core investment required to start the business. From the co-op's perspective, each member would be treated equally, regardless of his or her socioeconomic background, as each would have an equal investment in the co-op.

By supporting access to individual borrowing for co-op investment, the program would reinforce the responsibility of the member for the success of the co-op business. Allowing borrowing only by the co-op would permit the member to evade individual responsibility for the loan since the co-op, as a corporate entity, has limited liability.

Further, by granting the loan to the individual member rather than the co-op, the loan default rate would be reduced. The loan would be secured by the member's share investment in the co-op, and if the individual is unable to pay, the lender would have recourse to those co-op shares. Conversely, if the co-op business is unsuccessful, the lender will still have recourse to the member. By limiting eligibility to the co-op, it would mean that the community loan fund would have to cover more defaults.

In the case of community investment share corporations, we recommend that clause 11(1)(d) be amended to include unsecured debt as an eligible investment.

In a worker co-op, the place of capital is secondary to the place of workers in their communities. Control of the business is exercised on the basis of one vote per worker-member. The wealth created by the business is equitably distributed among all the workers and the business will remain in the community, since the workers who control it live in the community.

Those constraints on the role of capital in a worker co-op lead to fair distribution of the wealth and stable

communities. However, by constraining capital in this way, worker co-ops experience major obstacles in raising capital, especially business startup capital. Some legislative regulations, tax policies and programs exacerbate the obstacles.

I just want to say that I certainly appreciate the initiatives being taken under the co-op review, under the auspices of Steve Owens, to remove some of those obstacles that are currently there.

It's most likely that a co-op-oriented community investment share corporation will be a pooled operation investing in a number of co-op businesses. Since return on investment is limited by regulation in a co-op context to prime plus 2%, it is not possible for a community investment share corporation investing in a co-op to provide a competitive return to investors after all costs are applied. In order to be self-sustaining with a reasonable rate of return to investors, the community investment share corporation needs to be able to generate higher returns than prime plus 2%. Within a co-op context, this can only be achieved by a debt instrument.

Since unsecured debt functions similarly to preferred shares, our proposed amendment would not change the intent of the legislation. In common with the usual definitions of equity capital, "unsecured" should include a floating charge on the assets of the business.

I want to address a few comments to the regulation and program considerations under the act.

The proposed regulation requiring owners to provide a minimum of 25% of the total equity required will prevent community investment share corporations from assisting in worker co-op job creation. This results from the fair profit distribution structure in a worker co-op.

In a sole proprietorship, partnership or joint stock corporation, the owners receive all the profit from the business. In a worker co-op, the founding members, usually three or four, invest equal amounts but future profits are shared equitably with all future workers. For example, if a business grows to employ 20 workers, each of these workers shares equally in the business profits after their membership date. This dilutes the profit to the founding members by a factor of 20. Obviously, the return to the founding members is much less. The expectation that they contribute a percentage equal to the contribution from sole proprietors, partners or joint stock corporations in our opinion is inappropriate.

Consequently, we recommend that the minimum investment by workers in a worker co-op be set at 10% of the equity capital required.

We want to emphasize that a worker co-op structurally distributes the created wealth to all member workers in the business, and this is distinct from other forms where the profit is concentrated to the owners. Furthermore, the worker co-op control structure ensures that the

business will remain in the community. Since these are broad social benefits, we feel that it's appropriate that investment raised through a community investment share corporation be allowed to provide the remaining equity required for the worker co-op business.

Our second recommendation is that the community investment share corporation be permitted to provide the remaining required equity of a worker co-op if the workers' investment is subordinated to the community investment share corporation's investment. If the workers' capital is subordinated to the community investment share corporation's capital, the workers appropriately would have the primary stake in the business.

We recognize that there is certainly abuse possible in the existing legislation. In order to prevent that abuse by individuals forming a worker co-op and then converting the business to another cooperative form, we recommend the following condition to community investment share corporation participation in a worker co-op as follows:

The worker co-op articles of incorporation must state that on dissolution, the residual assets are to be distributed to either another worker co-op, a federation of worker co-ops or to a charity. That would prevent somebody from converting a co-op into a private corporation and privatizing the assets.

A few comments on the eligible business sectors: The discussion paper suggests that the regulations will be defining the business sectors in which a community investment share corporation can invest. As the size of a community investment share corporation limits its investment to small business, defining business sectors would prevent the share corporation from supporting viable niche markets which may provide economic support to a particular community even though the sector itself may be excluded for global reasons.

We suggest that the definition of eligible business be broad and directly tied to job creation. Some business sectors which have minimal job creation benefits might be excluded.

In conclusion, we want to congratulate the government on its initiative to support economic development in communities. These suggested amendments are there to ensure that the act can have the maximum impact on job creation and economic development within a worker co-op context. Thank you for your time.

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The Chair: Thank you. Questions? Mr Cordiano.

Mr Cordiano: I am sorry, I just got here and caught the tail end of your submission but I wanted to ask about your recommendation on page 2, with respect to section 16, that the act be expanded to include a member of a co-operative as an eligible borrower. I'm trying to understand how that would be compatible with what

the act's intent is with respect to the share corporations and the community loan fund corporations.

First of all, the community share corporations are for-profit corporations, and the community loan funds—both, in fact, are required a return on equity, a return on investment. Mind you, it's not enough or sufficient, but there's a requirement for that. That could be accomplished in a non-profit situation, but still the community share corporation would require for-profit efforts.

How would the profits accrue to investors in your cooperative non-profit corporation? That's the question or difficulty I would have with the recommendation that you make.

Mr Brouwer: The recommendation is only in regard to the community loan fund program.

Mr Cordiano: Okay.

Mr Brouwer: It is presently constituted that the eligible borrower is a sole proprietor, partnership or corporation.

Mr Cordiano: Or a corporation, yes.

Mr Brouwer: A word of explanation: The worker co-op is not not-for-profit; it's a for-profit business.

Mr Cordiano: Okay.

Mr Brouwer: It's got to be out there being able to make a profit in the marketplace. All it does is distribute that profit back to its workers.

Mr Cordiano: Right, but that still does not allow for profit in the sense that investors would then—because of the stringent requirements with respect to return on investment, you'd have to make up the return on investment for investors, and then whatever profits are left over entitling the workers of that co-op to share it. How do you make that work in that scenario?

Mr Brouwer: In this case we're looking at it, saying the members of this program should be eligible to borrow funds from probably a credit union, under a community loan fund guarantee, for membership share investment in their cooperative. In terms of the profit distribution inside the co-op, generally everybody who is employed in that co-op, including all the members, would get a basic salary or an hourly wage that was set when they went into business.

Mr Cordiano: Yes, obviously.

Mr Brouwer: Then they distribute any profits back to the members in a proportion to the number of hours each particular member has contributed to the cooperative. Profits are distributed like that and then they in turn have access to their profit plus their regular wage to pay back to their credit union that loan plus the interest on that loan.

Mr Cordiano: Yes, I understand that, but that would entail workers to be investors at one and the same time that they're earning a salary and then returning a return on investment or a return on equity—correct?—under

your scenario. That would preclude sort of outside third-party investors.

Mr Brouwer: Outside third-party investors can still invest in a cooperative. It would be in a different class of shares. Usually we set these things up to have three classes of shares.

Mr Cordiano: I was putting this in the context of what would amount to a limited return on investment and how you felt that would fit into your scenario. Would it be a workable proposition with the community loan fund? There's very little return on an equity requirement, in fact a ceiling in terms of where that return on investment would be set at, the rate for GICs. Do you think it's attractive enough?

Mr Brouwer: It's workable for this reason. Because it's a loan to the member, the credit union and the community loan fund can set that at regular commercial rates for that kind of loan. That doesn't come under the jurisdiction of a limited interest within the cooperative itself, so the loan to the individual can be set at regular commercial rates.

Mr Jackson: Following on that, we've had a response from John. I wonder if we could get the parliamentary assistant to give us an indication if he and his government look favourably on the recommended amendment to section 16 or if the government has difficulties with this recommendation.

The Chair: Mr White or Mr Loken? Pick a number.

Mr White: Mr Loken.

Mr James Loken: I'm James Loken, legal counsel, Municipal Affairs. Although it's really a policy question, the ministry is considering doing this, and we're reviewing the implications of it.

Mr Jackson: Why is the ministry considering doing this?

Mr Loken: In order to make the program more accessible to working co-ops.

Mr Jackson: What concerns do you have currently then?

Mr Loken: It's not really a major concern. As Mr Brouwer indicated, the loan would be at commercial rates so it would not affect the loan fund assets as such, the difference, whether the loan is given to an individual or given to a corporation.

Mr Jackson: What does your ministry think of the second recommendation, to allow unsecured debt as an eligible investment?

Mr Loken: This is something we haven't considered as of yet.

Mr Jackson: Clearly, the bill speaks against this position in several sections.

Mr Loken: Yes, it does. The basic reason is that debt of course is enforceable whereas preferred shares need not be paid a set rate of interest, a dividend, if the

corporation, the company, doesn't have the solvency to pay it. Therefore, it's in the interest of the business itself.

Mr Jackson: And the 10% equity capital requirement, what concerns if any do you have for that? The bill speaks of 30% or 40%.

Mr Loken: The bill requires 60% non-CISC equity in the business, so we certainly have a concern as to that because that would affect the viability of the business and the chance of return.

Mr Jackson: A final question: If cooperatives are put in as an eligible borrower, would you be recommending that the specific amendments that would flow from that be put in the legislation or in regulation?

Mr Loken: It would be an amendment to section 16.

Mr Jackson: I understand that, but once you do that, there would be some subsequent amendments that would deal specifically with the unique nature of borrowing by a cooperative. Is that not correct?

Mr Loken: No. A co-op is a taxable corporation.

Mr Jackson: You don't have any concerns about that part of it. Thank you.

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Mr White: I just wanted to congratulate Mr Brouwer on his excellent presentation and the specific recommendations. As you've heard, the points that you make are certainly things that we will be taking into consideration and they may be brought up in clause-by-clause. We can't on the spur of the moment right now say, "Gee willikers, these are the things that are going to be coming through," but we will be taking them all back and considering them thoroughly.

I had a little interest, and perhaps this is just for my own education, but worker co-ops—in my constituency office, just from my own work, we've established an unemployed workers' group and the Union of Injured Workers in my area. But particularly the unemployed workers are interested and involved with a church group in setting up a workers co-op. They're also interested, the same group of people, in a CLF. Is that the typical formation for a workers' co-op, for people who have been out of work and have some skills getting together?

Mr Brouwer: It's definitely an option for worker co-ops. Worker co-ops are an option in those kinds of situations. We work with a whole number of initiatives from groups of people similar to what you're describing.

Mr White: And if this group was to get in touch with you, you would be able to offer them some consultation and advice?

Mr Brouwer: Yes. We're currently operating under a Jobs Ontario contract to undertake job creation for long-term unemployed within the mandate of Jobs Ontario. Through those resources, we're able to provide that kind of group development, business development

service, to assist them in moving into implementing a workers' cooperative.

Mr White: You'd even be able to help a group in Whitby and Oshawa?

Mr Brouwer: I think we're already talking of that group, actually.

Mr White: Probably. I defer to Ms Haeck.

Ms Haeck: John, you're quoted here in one of the publications that actually we got earlier, and it talks about the fact that you're really concretely saying that you can probably create 500 jobs a year with this kind of opportunity. I think we'd all be interested in the kind of areas where you're creating jobs. I know you're not just looking at industry, you're looking at a range of different areas in which to create jobs, service sector or otherwise. What areas are you looking at?

Mr Brouwer: Our approach has been mainly to be responding to groups of people who come to us and say, "We have an interest in working together to develop a business that would provide employment to us." So we tend to be responding to the people who are coming to us from their particular skill level. That's currently ranging from the food sector, in which there are definitely opportunities developing, there are computer operations; there's a wide range in the skills. We're currently talking with airline pilots around the possibility of doing some kind of regional airline operation, which on the face of it looks like they'd have something that would work. But it really depends upon what the group's coming to us with.

We've had this Jobs Ontario program since late winter. We're in touch with about 50 groups that are at various stages of looking at implementing their business. We expect that 25 or 30 of those would actually go to business implementation. But we are certainly seeing a lot of interest out there from people who are looking at this and saying, "This is one way in which we can create jobs."

Ms Haeck: It sounds like it's a very diverse range of jobs that could be created.

One of the issues that was mentioned earlier was the training. How do you assist the people who come to you to get the kind of training they may need to run that particular enterprise?

Mr Brouwer: We work with them on combining two tracks. One is a group development track in terms of going through a process with them to ensure that they have congruent business values which allow them to work together as a group, and then we work with them in developing a framework to actually operate a business as a co-operative so that they have a decision-making structure and accountability structure and a strategic planning structure that's in place to do that. We then also provide assistance with them in identifying business opportunities, working with them in terms

of assessing the feasibility of those opportunities, and then, if they look feasible, assisting them in implementing a business plan and raising financing and the incubation work required to implement that business.

Part of that of course is to work with the group to assess what is their group skill level in terms of what's required for that business to function effectively. If they're missing particular skills, either marketing or finance or just technical skills, we definitely recommend that they take some of these various courses that are out there now and that can be used to upgrade their skills. So the kinds of programs we would be referring to them are the kinds David Pell was mentioning earlier. Various members of our groups in various parts of the province are taking modules within those programs who say, "We've got to increase our bookkeeping skills; let's take a bookkeeping-finance module here."

Ms Haeck: This can be a rather long-term endeavour for yourself and your cohort, Walter Schenkel, who I know. I know that in the housing co-op sector it's at least a year. Do you find yourself expending about a similar amount of time with a budding enterprise?

Mr Brouwer: On a fast track it would probably take six months. On an average we're aiming for nine months, and then, depending on how the business opportunity could develop or market conditions, it could take a year.

Ms Haeck: Thank you, John, and lots of luck with all your endeavours. I know that you're doing a lot of good things out there.

The Chair: Thank you for appearing this afternoon. We appreciate your input. The committee will be considering this bill in clause-by-clause next week.

KENSINGTON MARKET REVIEW COMMITTEE

The Chair: The next presentation is from the Kensington residents and business people, Allan Schwam. Good afternoon. The committee has allocated one half-hour for your presentation. We would appreciate it if you would introduce yourself and your colleagues for the purposes of our Hansard recording and then you may begin.

Mr Allan Schwam: Thank you, Mr Chairman. I want to thank members of the Legislature for this opportunity to address you. We're here representing members of the business and residents' association of the Kensington area, and more specifically we represent a working group which was recently set up. It's this working group that first encountered Bill 40. So with your indulgence, I'll tell you a little bit about how we encountered Bill 40, and I have left you a document, but you won't understand it too well unless I give you a run through it.

Perhaps a few words about the Kensington area, better known for the famous Kensington Market. It's just a stone's throw from this Legislative Building. It's

in the heart of downtown Toronto. It's a community of about 3,500 residents, home owners and tenants, and the majority of the residents today are of Chinese origin. Two decades ago the majority were of Portuguese origin, four decades ago the majority of residents were of Jewish origin and eight decades ago the majority of the residents were of British origin, British immigrants. We are, in other words, an immigrant area. There is always a majority population, but we are in no way a ghetto. There's always a good intermixing of older and newer immigrant waves.

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Inside the residential portion of the Kensington area are to be found several streets on which are mainly small shops and businesses. These number about 400. You can see that inside the Kensington area there's a major regional shopping complex. It takes about 200 stores to make a regional; we have 400. Of course these stores are much smaller than the average size of a shopping plaza, but they're very concentrated. We also have some factories in our area too.

You can see that with a residential population of 3,500, we would have to have a big draw to keep those businesses going. In the summer and the fall, Kensington's full of people shopping from all over the Metro area. There are tourist buses regularly, and we get lots of school children for whom, for some reason, Kensington is unique, but I can tell you, the ethnic mix of many of the children coming to our area exceeds the ethnic mix in Kensington today. More and more our population's beginning to resemble your population.

How it all started was, there are in the Kensington area two major institutional buildings, the Toronto Western Hospital on one end, a very huge complex now joined with the Toronto Hospital; at the other end is the Kensington campus of the George Brown College, a building of some 200,000 square feet, made up of three buildings, one built in the 1930s and one built in the 1950s. That complex is now virtually empty. It will be moving out of our area.

That's a problem, because that provided people who shopped in our area, the students who shopped in our area, but also it's an opportunity, because the building was never oriented to our local community. In other words, it fronts on a street which is residential and the other street is commercial, and it was really not oriented to either of those two. So we saw that as an opportunity to make sure that there was a good use for that building.

We drew up a set of guidelines, and I'll read an extract from them:

"That new development projects be evaluated as to the degree to which they encourage local employment and spinoff economic activity;

"That the special employment characteristics of the market be recognized, maintained and strengthened and

public and private funding be so directed."

That was drawn up before we ever heard of Bill 40.

Our local MPP, Rosario Marchese, has a regular meeting with ministers of the crown who come to our community to talk about various issues. Ministers Lankin and Buchanan came to University Settlement House to talk about Bill 40, and we immediately recognized that it was relevant to what we were trying to do, which was to generate economic development and spinoff activity. So we immediately announced that we were very much interested in Bill 40 and what we could do with it.

As a result, we simply drafted into the guidelines, which are now being discussed,

"That business and residents work together to establish a community development corporation (CDC) as outlined in Jobs Ontario Community Development guidelines..." and

"That this community development corporation apply for the establishment of a community investment share corporation."

We had a meeting with our local businessmen to see how they would react to the idea and they said that they were favourable. Now, that's quite a contribution on their part, because most of the businessmen we talked to don't need this community development corporation. That means that they would be willing to help new or smaller businesses locate in the Kensington area by subscribing to such an idea, and that's a very positive thing.

We've also discussed the CDC with the area manager of the Royal Bank in the Spadina-College area, and while the banks are not too happy with certain aspects of this legislation, they did indicate they'd be very happy to come and help us administer and give whatever expertise that they have.

On this working committee we have the area planner, the city of Toronto planning board. A member of the provincial civil service who's actually charged with the responsibility of that building sits on our working committee. But the key support has come from Rosario Marchese, our local MPP. We have no money; we're an entirely volunteer organization. His office does all the work on our behalf. He sends out notices, he attends the meetings, and he makes sure that we're functioning properly. It's a very fine role for a local member of Parliament to play.

These guidelines haven't been adopted yet, but I can tell you they are being favourably received. They will be circulated to all residents in the community, we hope by September, and we'll make our application accordingly.

So that's how we came to Bill 40, and you'll see in our guidelines how we have incorporated it into the general development guidelines for our community. You

must understand that impediments to development in a local community may lie in various directions. What really stops us from being the commercial and economic success we would like to be is our traffic and parking problems. There's no way that we can fund through this but, you see, what we can do as a local community is to focus on real problems, impediments to development.

The success of the bill will depend on how communities are able to come together and take advantage of it. Right now, on Thursday evening the provincial bureaucrats are meeting with Metro bureaucrats to tell them how local municipalities can take advantage of this legislation. How many of your constituents are being advised right now how they can take care of this legislation? I'm afraid that some of this money may simply be diverted to local municipalities, so if they want to hire somebody to do something etc, they'll get that funding to do it. That's not, in our opinion, really good local community development.

Economic renewal through community development has largely been abandoned in the last 20 years. The concentration of more and more people into ever-growing urban centres was the engine that was supposed to fuel economic activity. You know, Olympia and York, all that stuff: Toronto, 50,000 people a year; world banking centre; world this, world that. Gone. That engine is dead. If the stock market had collapsed as much as the real estate market has, there would be a panic in this province. Fortunately, it's only a real estate collapse. It will take a lot longer to percolate, but it's a serious situation. The big engine has run out, and the little engine of local community development is the only one we've got left.

Now, the philosophy saw more and more provincial funds being transferred in the form of per-capita tax grants and unconditional grants to real estate to cities, and even during the era in the city of Toronto where we had reform mayors like David Crombie and John Sewell, they never had any idea that local communities could be used as economic engines. They were politicians who wanted local communities to be safe from federal and provincial legislation, but they didn't see them as local economic engines. Municipalities paid less and less attention to the welfare of their communities and more attention to big projects like Ataritari, \$1 billion down the drain; a whole number of projects that went down the drain.

Today we have 50-cent dollars, 25-cent dollars and zero dollars. Many mayors sit around figuring out how to get a program in which the province pays 75% and the municipality pays 25%; that's a 25-cent dollar. The 50-50 or 50—in our province we have zero-cent dollars; that is, where the province transfers unconditionally per-capita tax grants and grants in lieu of taxes. The George Brown College generates to the city of Toronto's tax base \$440,000 a year. None of that is used in our local

community, and it doesn't take \$440,000 to do anything with the George Brown College building. That's apart from any money they get for programs to there, and the idea that any of that money should come to municipalities is alien to local governments. That's not what they're in business to do.

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We see this legislation as beginning to put money directly into local development activity. If that is the real intent of this legislation, I think it is to be welcomed.

The other thing we like about the legislation is that you guarantee money and you don't give it in grants. We're going to have to go out and raise between \$50,000 and half a million dollars, and that's good. If we can't raise that money, then we don't deserve this. If our businessmen and our local can't, okay, that's the way it is.

The whole of the housing program of the federal government, after the war, was financed by underwrite. The government did not directly give you money for a house. They guaranteed the money, if you were an ex-serviceman, and you went to the bank and you got a loan. Through that procedure, billions of dollars were steered into housing and thousands and thousands of homes were built. This is a good principle and should be endorsed.

More important, in our opinion, is there is a current effort, we read in the literature, to make CDCs eligible as RRSPs. This is very, very important. That means that people could really invest in their local community. You could buy shares in the community development corporation and they would be as safe as an RRSP, and you would be investing in your local community. I understand negotiations are under way with the federal government to do that. I think that should be encouraged to the utmost degree because not only could it raise money; it would give everybody a feeling that they're really participating in this effort.

A chief danger to this legislation will come from municipalities and bureaucracies. Bureaucracies do not like programs that work directly between the elected representatives and the people. I'll give you an example. A week or so ago, my colleague Jason Pearson and I went to see two civil servants about the CDC. We spent a half-hour telling where Kensington was. The first thing they said to me was: "You know, Mr Schwam, we'll have to check on the representativeness of your community group." They don't know where Kensington is, they don't know who we are, but they're going to check to see if we're really representative. That's the way it goes. They will attest to, affirm, and so forth. I don't like that very much. It bothers me. Our local MPP should attest to our validity. That should be enough. I don't need bureaucrats doing that. It really galls us.

Those are the outlines. I haven't mentioned the

community loan fund. At the time we drafted this, we were not too clear of what that is; we'd read the legislation and were not too sure of what that is. However, I can say that if it is that a local businessman comes to our board and says, "I want some help. I can't get a loan from the bank," and we loan him \$5,000 and he can get a bank loan, if that's the purpose of the loan fund, that's a good thing and that might work out very well. We could then loan somebody some money so that he could qualify for another loan from a banking institution. Not a bad idea if that's the intent of it.

That's my presentation to you.

The Chair: Thank you, Mr White.

Mr White: Thank you very much, Mr Schwam and Mr Pearson and—I'm sorry. I didn't catch your name.

Ms Wendy Kwong: Wendy Kwong.

Mr White: Ms Kwong. I was very impressed with your presentation. I'm one of those people who have been in transit through Kensington Market myself. I used to live on Bellevue just after I first married. My wife lived above Stitsky's Dry Goods before it became a hardware store. I'm just really very impressed—very, very impressed. This sounds like the kind of exciting community development corporation that would make an awful lot of sense for your area, the fact you already have a community, you already have people who are already working together, know each other, could easily form together and make representation to secure those kinds of moneys, to plan for your area and go on from there, as you suggest, to that community investment share corporation or community loan fund. Those are all fancy names, but I think you very well describe what they mean.

Yet, Mr Schwam, you also mentioned that you feel there might be some barriers by other levels of government or institutional—you know, this ministry, that ministry, this municipality. How do you feel that would happen in terms of recognizing your community?

Mr Schwam: I hope it won't happen, but the problem may be this: The city of Toronto will not view this legislation very enthusiastically, in my opinion, except maybe the mayor; she seems to show some recognition of some of the problems. Because we have had these problems with the city of Toronto. Our businessmen had to fork out \$60,000 to remove ancient gas mains because the city wouldn't help us and Consumers' Gas wouldn't do it. We've had experience with a lot of municipal bureaucracy refusing to help local communities. They don't consider it part of their mandate or their interest.

So it's based on that experience. For example, our area generates about three quarters of a million dollars in revenue to the city of Toronto over and above what the city spends on our services. That money goes into general revenue and we never see it. And the city is not

embarrassed about that. They say: "We have other things to do. We don't like the idea that we're obligated to put local revenues back into the local community." The only groups that I think get any kind of break that way are the BIAs, and they are allowed to use some tax revenues for local BIA activity.

Mr Jackson: MVA considerations put aside.

Mr Schwam: Right. But our problem here has been that we have a very strong residential and business community and the BIA has not been a vehicle that we have followed. So it is a problem.

I hope that what I'm saying, these problems, will not exist, but if I were to foresee them, I would see them in that direction, that there may not be enthusiasm for local community development activity. If the province really feels that this development activity is essential, the province will have to make sure that's where the money goes, and not back into municipal coffers so that what you're doing with the social contract—so they'll fire three people one way and then rehire them under Jobs Ontario. In our opinion, that would not be genuine development. That's all. These are experiences we've had with local government and local bureaucrats etc, and it's very welcome to see the province apparently feels that money in local communities can be used productively for developmental activities.

Mr White: It's an exciting prospect that you offer. It's an exciting prospect for your neighbourhood that you offer.

Mr Schwam: Very much so. It really has been, especially coming—we are asking the province to turn the George Brown college over to us for two years so we can develop that site ourselves. Now, that's a radical concept right there. But there's nobody else around to do it. Who are you going to ask?

Mr White: Indeed.

Mr Schwam: Who's left? I've worked with Reuben Corp, with Cadillac, Greenwin, Meridian—they're gone. You know, the first fear of our community was that some developer would put a high-rise building up there. Forget it. There are no high-rise buildings going up any more. That fear, that's over. That war has been lost, sadly lost. That money is not around. This notion that money circulates for ever—well, trillions of dollars were made and I don't see where that money is in our economy today.

But a local group that knows real uses, real purposes, that can define them—we were talking about a parking garage the other day. I have a resident who lives right across from the park. She told us more about that park, and any architect could come around and design that parking garage because of her observation of what happens there.

So it is a very exciting—I'm sorry, I think my time is up here. I'm being nagged on either side.

Mr Jackson: Your enthusiasm is being tempered, that's all. There's nothing wrong with that.

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Mr Grandmaître: I have one very short question. I know that you have been very active in your area, but I can't understand that you never took advantage of the BIA. Now you come before us and you say: "This is the 11th commandment. We've been waiting for this for years and years and years." How come you never took advantage of an existing program, a very successful program in the province of Ontario?

Mr Schwam: We discussed it with our businessmen and we decided it was not for us. Maybe in your community it's a terrific program.

Mr Grandmaître: Then my second question is, if the BIA program wasn't suitable for your needs, did you propose to the ministry another program?

Mr Schwam: Has the ministry paid me to do that? Am I a consultant of the ministry?

Mr Grandmaître: We're trying to create partnerships here.

Mr Schwam: Right. If the ministry had asked my opinion, I would have given my opinion. I was not aware the ministry knew that I existed or asked my opinion. This is a strange line of questioning. The BIAs are very valuable, and for those communities that use them successfully, that's great. It doesn't mean it's a panacea for all communities. It doesn't work very well in ours. I told you. We have residents and businesses together and we work very closely. It doesn't work very well because they won't let us have that association in BIAs. We're not opposed to BIAs. As for other programs, we have approached many other programs. Nobody listened to us. Sorry.

Mr Jackson: You were asked a question and you responded. That's fine.

Mr Wiseman: I would like to respond to one of your earlier comments about why you see so many school children down there. Given that I, in my previous life, had cause to bring school children down there, I'll tell you why we did, at least why I did, at any rate, and why my colleagues did. It's a dynamic area. It's unique. It offers to children a presentation of a different view of how things can be done. It gives a clear example of how a downtown area in a big city can function and be successful at functioning. Hopefully, it also conveys to the students—and this is what we tried to do—that, in cooperation with one another, a multicultural dynamic can work and that you can then take that paradigm, that dynamic, and use it in communities.

I think that what we were attempting to do, coming all the way from Ajax, was to try and shatter this planning myth that spaghetti-like streets with wide frontages and ugly garages on the front of houses, of

which I own one, makes for a good community. In fact, what Kensington Market represents, and the Kensington area and a lot of the streets in downtown Toronto, is a living form that we have got away from that we need to return to. When I brought my students to downtown Toronto, to Kensington market and to other areas, this was what I was attempting to show.

Mr Jackson: Look for him; he'll be doing it again in two years.

Mr Wiseman: Probably not; I will probably be here. I'll tell you how you can do it.

Mr Jackson: The truth was that you were looking for Al Waxman's autograph.

Mr Wiseman: Al Waxman, skinheads, yeah, right. But the point I'm trying to make is that right now, in the broader area, we are destroying our environment with urban sprawl. We're loading taxes on to people because urban sprawl is not sustainable. There are alternatives, and those alternatives are before our very eyes.

Mr Schwam: Beautifully put, Mr Wiseman. As a town planner by profession, I couldn't agree with you more.

I want to tell you about Al Waxman. There is no King of Kensington. A king wouldn't last 10 minutes in Kensington, I'll tell you that. It was a good story anyway.

The Chair: Thank you for your presentation. We appreciated it very much.

Mr Schwam: Thank you very much, all of you.

ONTARIO ASSOCIATION OF BUSINESS
DEVELOPMENT CORPORATIONS

The Vice-Chair (Mr Hans Daigeler): We now have the next presenter with us, the Ontario Association of Business Development Corporations. Would you please introduce yourself. I think you have been here and know what the process is.

Ms Diana Neziol: Yes. Good afternoon. My name is Diana Neziol and I am speaking to you today as the volunteer chairperson of the Ontario Association of Business Development Corporations and also as the manager of a business development centre. Our association members are involved in community economic development and would like to comment on one of the new initiatives under Bill 40; namely, the community loan fund program.

My presentation will include a description of our corporations' activities, what our role has been in community economic development and the development of the community loan model, and the opportunities that lie ahead for new community partnerships.

Business development centres, or BDCs, fall under the sponsorship of Employment and Immigration Canada's Community Futures program. There are 55

BDCs like ours in Ontario and 230 across Canada. We are located in rural communities with areas of high unemployment. You will not find us in cities such as Toronto or Hamilton, but you will find us in smaller centres like Brantford, Sarnia, Kirkland Lake, Thessalon, Pembroke and the Six Nations New Credit reserve, to name a few.

Each BDC is a non-profit corporation with a base investment portfolio of \$1.55 million, from which we impact local employment by making loans to small businesses in our communities. There are usually two to three employees within each corporation who are responsible for assisting an entrepreneur in the development of a business plan application and then presenting that proposal to a board of directors. The volunteer board members are individuals with lending experience or experience as owners of their own businesses. They are interested in improving their local economy by assisting small businesses with financial and management services through the BDC office.

Our clients are entrepreneurs with new or existing businesses who are unable to obtain financing from conventional sources and who will create or maintain employment with BDC funds. Although our contractual agreement with Canada does not specifically state that we cannot loan to clients without collateral security, we must submit an annual investment fund proposal with lending policies acceptable to EIC. As a result, our client base is characterized by high-risk consumers and we are often called "last resort" lenders.

The average BDC loan is \$24,500, ranging from \$1,000 to our maximum of \$75,000. Interest rates vary from a minimum of prime plus 1.75% to as high as prime plus 7% and are dependent upon each board's lending policy and the inherent risk in the collateral security. All interest earned on loans is returned to the original portfolio and over half of the Ontario BDCs now have capital pools approaching or greater than \$2 million. With these funds we have made over 5,000 loans and influenced over 19,000 jobs. Our investment losses currently average about 8% across the province.

There are two primary reasons why business development centres are successful: the board of directors and the technical assistance and aftercare provided to clients.

The board members, who render all final decisions concerning our loans, bring the community aspect to the program. They know what is best for the community and they're very sympathetic to the issues faced by the entrepreneur. They also have a tremendous base of business experience on which we draw, often coming up with creative solutions to our clients' problems.

In terms of the technical assistance our offices provide, there is a wide range of skills among the office staff. Each of the managers has small business experience, either hands-on or in consulting roles, and/or lending experience. Some have considerable training

skills and offer relevant courses and seminars at little or no cost to clients. Most offices provide business planning, bookkeeping, marketing and cash flow management services to clients for nominal fees.

But most of all, the offices provide frequent reviews of their client accounts. This monthly monitoring consists of regular client contact, sometimes more than once a month, and includes reviewing the monthly income statement, accounts receivable and accounts payable summaries and comparing this data to the business plan projections. In addition to the client monitoring, the BDC receives its monthly loan payment, again ensuring regular client contact.

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This contact is something that bankers cannot provide, simply because they do not have the time. The typical BDC loan portfolio is made up of an average of 70 active clients, while bank account managers may handle as many as 300 active loans. Because we are not banks, we are not measured on the actual dollar return of our portfolios, but rather on our ability to influence local employment. We also have flexibility in dealing with our clients and we'll do whatever is necessary to keep them in business. More than just a financial aspect of our monitoring is the fact that we are available to listen and share in our clients' problems and commend them on their successes.

To verify our fiscal responsibility, our own reporting to Employment and Immigration Canada includes annual audited financial statements and funding submissions. This checks and balances system is successful, with very few problems and fast action taken when issues arise.

BDC boards and staff are a dedicated group, committed to helping small businesses and entrepreneurs in their communities. On an annual basis, they analyse the economic climate of their community and review their investment strategy, together with their Community Futures partners. The strategies target specific industry sectors, loan sizes, client groups and potential job impact. Marketing, operational and, sometimes, training plans are aligned to fit with the investment strategy to ensure effective economic development consistent with their municipal government's strategic plans.

BDCs were originally mandated for five-year periods, with the goal that the loan portfolio would, in five years, be self-sustaining. Self-sufficiency, however, has been difficult to achieve, since BDCs are more focused on client success and service, job creation and community economic renewal than generating substantial revenues to offset subsidized operating budgets.

Employment and Immigration Canada realizes the value of the program and has recently begun to reselect communities to continue for additional five-year periods. Once reselected, a BDC can qualify for annual operating funds to a maximum of \$150,000 and possibly

additional investment capital. The point of explaining our funding background is that BDCs have and will be in Canadian communities for at least a five-year, and more likely a 10-year period.

Almost 20,000 jobs, with over 5,000 loans, translates to an average cost of less than \$5,000 per job. Even considering operating costs and losses, our cost per job is less than \$6,500. Our statistics speak for themselves. The business development centre community-based lending program is an effective use of government funds and a catalyst for economic renewal.

The question then is, how can we work together to ensure effectiveness within the provincial government's Community Economic Development Act? In terms of the development of the community loan fund model, I was directly involved in the working group that designed the community loan fund, or CLF, model for the city of Toronto. This research facilitated the design of the CLF model used by the Ministry of Municipal Affairs. The model was presented to the public at a community economic development financing conference held in June of this year here in Toronto.

During the design phase, the business development centre model was cited as an example of successful community-based lending, including the costs associated with the delivery of this type of last-resort lending. My participation in the process was twofold: first, to bring the real-life experience of the concept and, second, to investigate whether BDCs would have the opportunity to act as sponsors and delivery agents if this model were adopted throughout the province.

However, in the June discussion paper BDCs were conspicuously not named as potential sponsors. This issue is our major concern. As I have described to you already, BDCs operate as non-profit corporations. They have board members with business experience who are representative of the community. They have offices staffed with skilled business advisers. They have systems in place for administration of loans, including the collection of payments and registration of collateral security. In effect, they have all the elements described in the community loan fund discussion paper.

In addition to having all the basic parameters of the CLF model in place, BDCs and their board members have small business lending experience. Through trial and error, BDCs have learned what businesses will and will not work in their communities and what lending systems will and will not work to ensure loans are paid back or to deal with situations when a loan is likely to default.

The attraction for BDCs to be involved with the community loan fund has several facets.

BDCs have a lending history with clients requiring larger loans and are usually unable to assist the community loan fund target groups because of an absence of

collateral security. CLFs give us the opportunity to help these individuals and use our lending and business experience to their benefit.

BDCs have not attempted to access private capital; however, with the majority of BDCs now having over four years' experience in their communities and therefore established track records, it makes sense that they would now be ready to pursue local private capital pools. CLFs give us the opportunity to begin to work with local private funds and prepare for the future when our own investment portfolios could be privatized.

BDCs have cultivated dedicated board members who each give at least 10 hours per month reviewing loan applications. CLFs will find it difficult to solicit more dedicated board members than those already working with BDCs.

It appears then that the main objection of working with business development centres is the fact that we are federally funded. Yet in this economic climate of fiscal restraint and cost cutting, to the general public it would seem that the fit of business development centres and community loan funds is a given.

Administratively, it is a simple task for BDCs to account separately for provincial funds and private capital, since we operate under stringent federal guidelines already. It is a simple task for BDCs to ensure that job creation statistics are attributed to the individual sources of government funding. It will be more cost-effective for the provincial government to utilize experienced community-based lending projects to deliver a new and innovative idea such as the community loan fund. Finally, there is a greater chance of success for soliciting investment funds, since, from a private investor's perspective, it would be more prudent to place investment dollars with a group that has lending experience.

The provincial government's Bill 40, Community Economic Development Act, is built on the premise that communities know what is best for their areas. It attempts to limit the bureaucracy associated with most government programs and put decision-making in the hands of the community.

The federal government has experience with this concept through its Community Futures and business development centre programs. Why not share resources and work together, just as you expect of the community volunteers and investors who will initiate the community loan fund program.

Your input on the debate of Bill 40 can ensure that this partnership of government programs will take place and will not be left to bureaucrats defending their new or existing initiatives in community economic development. Thank you for the opportunity to speak to you.

Mr Norm Jamison (Norfolk): Thank you for your presentation. I've got a couple of questions for you.

Most of your funding at this time comes from the federal government. Is that right?

Ms Neziol: Yes.

Mr Jamison: How much of your funding?

Ms Neziol: All of it.

Mr Jamison: We have Community Futures in my area, in the Norfolk area, and we have experience there. One of the concerns that I have is the appointments that have been made there. That's a simple fact.

The other is that the people who are on the board don't seem to reflect the various sectors in the community, whether they be the social side or the business side or whatever. What I gathered from your presentation, to simply say, "We're there, just give us the money," I don't buy that because I've seen some mistakes made at your end along the way also, not intentional.

To say in your presentation that you're the only people who have the capabilities to manage that because of the experience, I think is a little unfair because I believe that there are many people in my community that are very capable. The question is, if you were involved, what would your involvement be and where would you fit into this provincial program?

Ms Neziol: I think the perspective that the business development centres would take in this scenario would be that they might possibly form the subcommittee of their board and bring in some other representatives that would make sure that we are representative of the lending constituency, in this case disadvantaged people. We would have a finance committee of that group that would review the proposals the same way that we do now and we would also take care of administering the funds rather than doing that through a bank.

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Mr Jamison: I'm really interested in you being more specific. What would you see the participation of your BDC being, in people?

Ms Neziol: The actual board members?

Mr Jamison: Yes.

Ms Neziol: Our existing board members would probably be expanded to ensure that we include the community groups that you're speaking of that in some cases may not be representative of the final BDC.

Mr Jamison: So you're still talking about really administering through the BDCs with amendments the provincial moneys.

Ms Neziol: That's correct. It would be a partnership of existing federal administrative support services that are there now—

Mr Jamison: I just wanted a really simple answer to that question. Why couldn't it work with just a representative of the BDC along with the other groups administering in a coordinated way?

Ms Neziol: It doesn't make sense to duplicate

administrative services if they're already in place now. What we're trying to do is save the provincial government some money. We already make loans; we already collect payments.

Mr Jamison: There are some regulations. You must understand that there are regulations about representation on those boards. My understanding—and knowing the boards in my area that have been set up, they would really run into conflict where unless you dropped a number of people, that representation just simply wouldn't exist properly, or the board would be 38, 39, 50 people.

Ms Neziol: Right now, most boards are 10 to 12 people. There's no reason why we can't get another non-profit corporation status, form a board that has a crossover of BDC board members who now have lending experience, add to that members of the community representative of the loan client base and then use the business development centre structure to deliver the provincial loan fund.

Mr Jamison: Just one more question: Why didn't you include these groups in your own makeup prior to this?

Ms Neziol: That's a good question.

Mr Grandmaître: Because the provincial government was never invited.

Mr Mammoliti: That's irrelevant, though.

Mr Jamison: I'm asking the question.

Ms Neziol: Provincial governments were not invited to the federal program. The federal program—

Mr Jamison: No, I'm talking about the different makeup of your community. Why wasn't there a broader selection made?

Ms Neziol: There are native band groups. Most of the people that sit on our boards are business people or bankers or accountants, people who have direct access to business now.

Interjection: People who have money.

Mr Jackson: That's why they have an 8% loss rate. You're projecting much higher.

The Chair: Thank you. Mr Daigeler.

Mr Daigeler: I find that very, very interesting and I certainly would agree that if there's already something in existence, let's try and use it.

I would like to, if that's in order, hear from the parliamentary assistant what the view is of the ministry on this matter and as to why—

Mr Grandmaître: It was never approached.

Mr Daigeler: I shouldn't say, "Why is it not included?" I just would like to see, do they have difficulties with it or is this simply an oversight, or is this deliberate or do they see a possibility of working with the existing group?

Mr White: I believe there were a number of problems cited. The issue in terms of the need for a community loan fund is very real, not alone in small communities but also in larger ones and in urban areas. I believe Ms Neziol cited the fact that there are a number of excellent programs they offer, but primarily through rural areas.

So there's the issue of the broad base, there are several issues in terms of the program, how it's administered, the clientele etc, the issue that Mr Jamison brought up in terms of the representation on the board and the derivation of those board members. But I would also ask Ms Melnyk if she could join us for this particular issue. She has a much greater knowledge.

Ms Tania Melnyk: We've had several discussions with the BDCs, and I would like to compliment Diana on a very eloquent and excellently presented brief.

The concern as was mentioned—and she did make reference to it in her brief—was primarily that we not rush in too quickly into funding something that was already being funded by the federal government, thereby opening up the opportunity for withdrawal of federal funding and its being replaced by provincial dollars.

Having said that, however, I think there are ways of doing this, as Diana started to describe, that we can create a subsidiary of some kind that would have the kind of representation that we're interested in—there are ways of getting around some of the difficulties that we experienced—so we could draw on the BDCs.

But the issues you've raised of coverage—they are not in all communities; they are not in large urban centres where there are very great needs right now in the current economic situation—lead us to require to have the opportunity to work with a number of groups, not just the BDCs. But we do see them as a very obvious potential partner, as are a number of other groups.

Mr Daigeler: Just to confirm, you just said you do see them as a major potential.

Ms Melnyk: Yes.

Mr Daigeler: You do.

Ms Melnyk: Yes, we do.

Mr Daigeler: I'm glad to hear that because this is a little bit different than the message that I got a little bit earlier.

Ms Melnyk: No. I think Diana had to present a brief.

Interjections.

The Chair: Order.

Mr Daigeler: I can understand because they're concentrating on the rural area and you want to also cover aspects.

Ms Melnyk: Yes.

Mr Daigeler: I think that's fine. I don't think

anybody has problems with that.

Mr White: I would suggest as well, though, that we can't have a partnership until such time as we have created a framework ourselves.

Mr Daigeler: Well, obviously.

Ms Melnyk: Yes.

Mr White: We can't have a partnership unless we have a community loan fund program established by this legislation.

Mr Daigeler: I understand that. I just hope then that what Ms Melnyk said is correct, that you are certainly looking at the possibility, once all of this is set up—I mean, that's taken for granted.

Ms Melnyk: Yes. In fact we have met with the federal representatives of the whole Community Futures group in Ontario on a number of occasions to look at ways of cooperating. We've had very successful cooperation with the Community Futures groups which have very common principles with ours in terms of what they are trying to accomplish.

In Port Colborne we undertook a strategic planning project in a three-way partnership between the municipality, the province and the Community Futures group, which serves now as a model for a lot of strategic planning that we're doing.

The Community Futures people, the federal representatives in the province, do recognize that one of the bigger issues is the board representation. However, they do not see this as a major hurdle that could not be overcome. There are ways of getting around that, either through a subsidiary arrangement or potentially some kind of broader amendment of their program nationally.

Mr Jackson: Ms Melnyk, can we take it then from your comments that you would support an amendment which would allow the inclusion and naming in the legislation of the BDCs?

Mr White: Mr Jackson, it's not to Ms Melnyk.

Mr Jackson: Don't interrupt. I'm going through the Chair.

Interjection.

The Chair: Try this one at a time.

Mr Jackson: I'm asking Ms Melnyk to clarify her comment, Mr White.

Mr White: Ms Melnyk's support of a comment is not something that is immediately relevant to this committee.

Ms Melnyk: I don't think it requires an amendment.

Interjections.

Mr Jackson: Mr Chairman?

The Chair: Look, we're going to have to do this one member at a time.

Mr Jackson: I guess it's simpler for the government members to understand. You don't have objection then

to an amendment which includes the BDCs since you indicated your willingness to work with them, and there are minimal problems and arrangements could be made. That's what I understood you to say.

Ms Melnyk: I don't think it requires an amendment. I think the reference was that the group was not identified as a potential sponsor in a discussion paper that we—

Mr Jackson: The way the law is written, and you know this as well as I do—any bill is written—if it's not included, it's therefore not included unless—

Ms Melnyk: I don't believe it's in the bill.

Mr Jackson: Where is it included then?

Ms Melnyk: It'll be in the regulations.

Mr Jackson: So where have they seen the regulations that indicate they know for sure they have been excluded?

Ms Melnyk: They have seen a discussion paper that we put together for a conference on community-based financing that was held about a month ago.

Mr Jackson: Can we get a copy of that report?

Ms Melnyk: That paper is in your background documents.

Mr Jackson: In which tab?

Ms Melnyk: Tab H.

Mr Jackson: Okay. So that's the basis on which eligible—

Ms Melnyk: Yes.

Mr Jackson: I now am concerned when I hear that the BDCs have 55 offices operating in Ontario and your targets are to hopefully get to 40. Your territorial responsibilities now become highly suspect. If you're already indicating that there are problems of coverage with 55 centres, how in hell do you expect to reach out to enough people if you're only looking at 40 centres?

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Ms Melnyk: I think it's been stated earlier that this program is modest because it is very much charting new waters. I think there's an attempt to move more slowly to try to gain some experience, not to make some major mistakes, costly mistakes, that would be more of an embarrassment to the province.

Mr Jackson: Are there any discussions around the territorial issues then in terms of coverage? We've heard from Diana that some communities may not have contract renewals; some probably will, since the federal government has indicated extensions may be in order. Is there any dialogue there? It's a legitimate question for the public and for any reasonable politician to seek to limit what might be loosely referred to as a duplication of service. When you take the loan investment component away from this bill and talk about loan assistance, then you're essentially doing the same things.

Ms Melnyk: Not really, because the kind of client you're dealing with is quite different. The BDCs will acknowledge that because of the pressure on their program to become self-sustaining, they have by definition become somewhat more conservative in their lending. The kinds of loans they make therefore tend to be higher than the kind of loans we are looking at, and the collateral requirements are there to a greater extent than they would be for our program.

Mr Jackson: Would you then consider qualifying an applicant who is turned down from a lender but qualifying a BDC application as a qualified lender who's turned down an application?

Ms Melnyk: First of all, we'd have to have them operating in the same community. We're not sure we're going to have them in all the same communities.

Mr Jackson: You've avoided my question. In those communities where they do exist in harmony, hopefully, if you're saying they're more conservative, then there will be people turned down from a BDC. Now the people are sitting there and they are going to say, "Where is your court of last resort?" They walk into my office and say, "Cam, how can you help me?" I say, "I'd like to send you to a wonderful provincial program, but Mrs Melnyk said it wouldn't work and that you weren't a qualified lender." You don't want that responsibility on you, do you?

Ms Melnyk: We're assuming that the BDC now has a subsidiary loan fund that they're operating and therefore, yes, they could go to the loan fund and qualify. It depends on what the board of the loan—we don't have a say in that, but this would be a situation where we would see that probably someone who might not qualify for a loan from BDC might be eligible for a loan. This is meant to complement, not duplicate. I think that's why Diana and her people are interested.

Mr Jackson: One final question, is there any interest—and it's only because the issues of geography and where you commence programs has been raised. There are certain communities that have been negatively impacted by recent decisions: St Catharines, for example, Brantford, Cambridge. There are several communities that were anticipating large injections of dollars and employment that didn't occur. Is there any attempt to target those as priority areas? Is there any policy discussion along those lines? It seems logical.

Ms Melnyk: That's premature. At this point, we're trying to get the program through so we can start mapping out the kinds of areas that might get priority. I don't think it's intended to target. It really is very much a community-based emphasis where the government is not a top-down decision-maker, but the communities come forward and put forward their proposals and they are approved on the basis of those principles.

Having said that, Brantford and St Catharines happen

to be communities that are extremely active, have been in to see us already looking for resources and are really waiting for this legislation to get through.

Mr Jackson: On that point, I'm getting rather confused messages here about this whole issue of territorial and served territory and service. It wouldn't have occurred to me until we get the two organizations, the two infrastructures, talking in terms of the number of offices they may create and the type of client they serve. But also when I hear they're primarily rural—and we want to have an emphasis on urban areas, and I hear that, and then I hear the government's not trying to determine which areas, I'm rather confused in terms of where we might be going with this, whether it's been all well-thought-out or not. But I'll leave it at that. I appreciate the deputation immensely and also for Ms Melnyk's responses as well.

The Chair: Ms Neziol was attempting to answer at one point.

Ms Neziol: The business development centres want to have the opportunity to deliver this program and we want to make sure it's going to be successful for you as quickly as possible. We have lending experience. We have been doing this for four, five, six, seven years. We know what it's like to be lending to somebody who has been turned down by a bank, okay? We know what it's like to try to collect that money from those individuals later on. We've been doing it for a long time. Our board members have experience in making these type of loans. We want to make sure that we have the opportunity to deliver and make the program successful for you too.

Ms Haeck: Mr Chair, just a small point of clarification.

The Chair: And what would you like me to clarify, Ms Haeck?

Ms Haeck: Just the fact that St Catharines is receiving the Ministry of Transportation building. It is going to be a \$100-million injection of jobs and, shall we say, capital investment in the downtown core of St Catharines.

The Chair: I don't remember making that statement, so clarifying it is—

Ms Haeck: Mr Jackson indicated that it wasn't happening and in fact it is.

The Chair: Thank you very much for the presentation. As you know, we'll be doing the clause-by-clause of this bill next week.

Ms Neziol: Thanks for your consideration.

PORTCAM INTERNATIONAL INC
PRINCE ARTHUR CONSULTING GROUP

The Chair: This is the final presentation of this afternoon: Reddington, McNeil Inc and Portcam International Inc. Good afternoon, gentlemen. You've been allocated one half-hour from the committee. If you

would like to identify yourself for the purposes of our electronic Hansard, you may begin your presentation.

Mr Shaun Reddington: With me is John Rosario, president of Portcam International Inc. My name is Shaun Reddington. I'm a principal in the Prince Arthur Consulting Group.

Our interest is as financial consultants, having looked into these sorts of program over the course of a number of years. We're interested in the legislation and the strengths and weaknesses thereof.

We have a brief presentation, just to raise some of the issues we think would be of interest, based on our experiences in dealing with these sorts of things and dealing with the small business community.

Small business plays a crucial role in the economy of this province, as more than ever before it is the vehicle for economic growth and employment. However, of the many of the problems facing small business, there's nothing more basic than the difficulty in raising capital, whether debt or equity. For minorities and socially disadvantaged people who aspire to own a business or to expand an existing company, this problem is even greater. Therefore, we applaud the government's initiative in providing a mechanism for raising debt and equity capital for small businesses and it is within this positive context that we offer the following comments.

Community loan funds: The use of community associations as sponsoring bodies is a good idea, but professional assistance will probably be required, given the problems outlined below.

The anticipated relationship with a bank will not happen.

Reading the material that we were presented in support of the act, there was intention that there would be developments of a relationship with the bank and that the bank would be the primary mechanism through which loans of \$500 to \$15,000 would be provided to the applicant. No bank will use the services of an experienced, independent account manager to manage a portfolio of \$500 to \$15,000 business loans. The economics simply just do not justify such an approach. As well, no bank will be prepared to undertake the collection of such loans and they'll merely collect under the community loan fund corporation's guarantee.

We understand that several credit unions have expressed an interest in this program, and they may undertake it as a loss leader, but no bank will be interested in going this route.

Basic training in how to run a business should be mandatory for all successful applicants. It is our experience that the best way to reduce the high ratio of startup business failures is to insist on a training program leading to the completion of a business plan and basic training in accounting and marketing.

If someone wants the money but is not willing to

make a small investment in time that will improve their chances of succeeding, then the venture will probably fail and it should be questionable whether they deserve that money or not.

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Given the fact that the board of the CLFC will have to use a great deal of its own time in terms of actually operating the funds in terms of approvals, the follow-up, the reporting, the fact that if anything does go bad they will ultimately have to be the ones to collect, there will be quite higher operating costs. Given the higher operating costs they will experience, increased operating funds should be allowed to support their work.

Board members should also receive specialized training if they request it. There will be a number of community advocates and I think it's very important that if they're going to be involved in sponsorship they take an active and productive role in that. But they may feel that, if they don't specifically come from a business background, they might benefit from general business training or they might receive responsibilities of being a director and what does that entail exactly? These are all issues which somebody who's not specifically involved in business might want to have further developments in being made better aware of.

As far as community investment share corporations go, even more than debt financing, raising equity capital for small businesses is the most difficult financing issue today. A source of equity for which the business person does not have to surrender a good portion of their common shares or even control, is invaluable.

Still, the program could be improved and our comments below outline suggested improvements.

The program requires that a company must have 60 cents in equity for every 40 cents that can be contributed through a CISC. This is far too onerous.

By definition, a company that will benefit from this program requires equity because it cannot raise funds elsewhere, including banks, because its debt-to-equity ratio is too high. Therefore, requiring such a high equity contribution for potential clients will defeat the purpose of the program and will make many companies that would benefit from this program invalid under the current ratios.

Has the Canadian Institute of Chartered Accountants and Revenue Canada qualified the investment as equity?

Part of the advantage of putting it in the form of preferred shares is that it would be equity and that this could be taken into account in any sort of other debt vehicle that people might want to use that would be contributing to the equity base of the company. But if it's a preferred share issue that has a fixed repayment requirement in seven years, it may not be considered as equity but rather as long-term debt. This is an important point as it will also influence how banks and other

financial institutions will interpret the actual meaning of preferred shares in this case.

There are a number of issues that need to be clarified before the program can be introduced, such as the RSP eligibility of investors' funds and the treatment of dividends.

Some general comments:

The amount of the guarantees allocated to the program represents a good start, but they are inadequate to really address the problem.

Given even a modicum of success, the programs will be fully subscribed well within the established time frames of three years and provision for an expanded program would be beneficial.

There is an incredible need for additional equity financing out there for small businesses that are ready to take off or that people are looking to expand. Without another source, this will be a very popular program for those people who qualify and the money, you may find, will be very quickly used up. Hopefully there will be provision for an expansion of the program and it will be well within the three-year time frame that would be used.

Programs of this kind are inherently prone to abuse and we suggest that a strong audit requirement be maintained as part of the administration of the programs.

For a CISC, annual financial statements prepared by an accounting professional with a recognized designation on a "review engagement" basis should be part of the requirements. In other words, anyone receiving equity funding should really have a company that has been in business and has sufficient sophistication to be able to have annual statements prepared by a CA or a CGA or whatever the current controversy will allow. Review engagement means that it's not merely the management providing numbers and the accountant making it look pretty; it's actually that the accountant has done some review and has done some tests to ensure that there is generally everything in place in terms of control, and the numbers have some validity.

For a CLFC, the size of the loans do not justify such an expenditure for a professional accountant to prepare its statements but, for clients, a detailed discussion paper as to how to record-keep, the expectations of what sort of records they will keep and submission of annual statements supported by a random audit should be undertaken.

Consideration should be given to guaranteeing a minimum annual return to investors. The government's guarantee for capital is the important selling point that will make the programs a success. However, capital could be raised more easily if a minimum return was offered.

Given current interest rates, it would only require a

few percentage points to make the investment attractive. Given the fact that people can put the money into a bank for 2% to 4%, having a government-guaranteed investment for a long period of time would make it very attractive at a very minimal expense. That would make it much more attractive, but at the same time it would guarantee some sort of minimum return for people who are thinking of being altruistic and funding these ventures. Inevitably, some companies will fail within 12 months of startup, no matter how well planned and executed, and if the investors' funds aren't productive for seven years, then even altruistic investors will be concerned.

In summary, we applaud the government for starting an excellent program and we think it has a lot of very good points to it, but there are a number of technical points which we feel could be addressed and improved before the final reading.

The Chair: Thank you. Mr Daigeler.

Mr Daigeler: Thank you very much for a very good, very succinct presentation. I must say I'm a little bit struck by your serious questions in here, and pretty major questions, and at the same time you think it's a great idea, "Let's move ahead with it." Perhaps you can help me there a little bit.

Mr John Rosario: Permit me to respond to your question. The program, in terms of the draft reading of Bill 40 that we've done, is excellent, no question about it. What concerns us as operators in the small market and midmarket is that in a province whose GDP is \$45 billion at zero growth, a \$20-million guarantee appears to be quite small.

Number two, while conceptually everything is fine in terms of the pref shares and so on, as my colleague has raised, I am not sure at this stage of our reading, and it could be our misunderstanding, that the Canadian Institute of Chartered Accountants would actually look at that as capital. They may look at that as a form of term lending with some special treatment. Graver than that would be Revenue Canada, which might look at the dividends upstream, given the differences between dividend taxation and interest taxation, as not being—or a disguised form of term lending and therefore disallow those shareholder investors from qualifying their dividends as dividends.

So there's nothing wrong with the program. It's more questions that are raised on how those various treatments are concerned. Now, the popularity of the program, I have no doubt it will be very useful. I mean, the backbone of our economy is the small businessman, the guy who risks everything. It is not the General Motors of this life. So they are the ones who really need help. I'm not sure, as an experienced capital markets person, in terms of the securities offering—if we make an offering memorandum calling something shares, paying the possibility of x dividends, and if we leave pending

in the air the questions I just raised about Revenue Canada and the CICA, what sort of liability would I have as the individual who wrote that thing on behalf of the CISC and on behalf of a particular project? Would the various parties and bodies to this project find themselves, two years down the road, in a pile of trouble? I don't know.

Mr Daigeler: I'm no banking expert and I don't profess to be an expert on this bill either; I'm still confused because there are so many ministries involved and you're dealing with so many aspects. If I understand correctly, and perhaps the parliamentary assistant can put me right here, there are no dividends we're talking about here and the only possible benefit of this thing, other than sheer altruism and sort of the fact that you feel good because you invested in your community, the only other possibility for a return could be the RRSP consideration.

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Mr Grandmaître: And it's not in there.

Mr Daigeler: And that's not even in there yet, as my colleague says. People are telling me, "Well, there are groups out there; there are charitable organizations," and I guess some religious orders, and since I have some background in that, perhaps I can appreciate that the good sisters might want to invest in this.

Mr Grandmaître: They've got all the money.

Mr Daigeler: But I don't see where any dividends are coming from here.

Interjection.

Mr Daigeler: I won't repeat what he just said.

Ms Haeck: Why isn't the mike on when we need it? I heard that.

Mr Daigeler: So you see I understand your concern and I think you're quite right, but since there won't be any dividends, you won't have to be concerned about this. Perhaps I'm off base, but I don't think so.

Mr Rosario: We are in possession of a discussion paper and that discussion paper outlines, among other things, that in the case of the CLFC, the dividends or rate of return will be limited to a maximum of the five-year GIC rate at the time of the issuance of the shares. The cost to the borrowers will be a minimum of prime plus 1% and the maximum term per loan, in the case of the CLFC, will be five years. That has been our understanding. If we have been misled, it's another story.

In the case of the community investment share program, we were told in that discussion paper that the maximum rate of investment would be prime plus 5%, the maximum term will be seven years and in both cases they'll be denominated as convertible pref shares plus A notes.

If we don't understand what we read and it has been changed ever since, I would assume that anything that

is called an investment would have to have, even altruistically, a minimum return to entice the local communities to invest in the program. The GIC rate these days is about 4%; five years is as altruistic as you can get when you can go to the mutual fund market and return 15% pref, so that's altruistic.

The Chair: Mr Jackson.

Mr Jackson: I'll pass, Mr Chairman. Thank you.

Ms Haeck: I believe I've Ms Melnyk sort of having a discussion with a few people and I sort of sense a desire to have some input here, so if I could personally call on Ms Melnyk to contribute to this discussion.

The Chair: I suspect the parliamentary assistant could.

Mr White: What specific question did you want to raise with Ms Melnyk?

Ms Haeck: I think Ms Melnyk has some clarifications to make. I think we're all sort of taking an interest in what Mr Rosario has to say and I know there probably have been some discussions going on in the ministry relating to this. So I'd like to hear Ms Melnyk's remarks.

Ms Melnyk: These are some very real issues that are being raised and we're very much aware of them. However, just in terms of the clarification, what I wanted to stress was that we are looking at very different kinds of investors for these two financial instruments.

In the case of the community loan fund, the return is indeed capped, it potentially could be capped at the GIC. In the case of the CISC, it's not necessarily capped at the same low rate of return. There may be a cap just to ensure that there will be some operating funds for the CISC but it won't be at the same low level. So the potential for returns under the investment share corporation is higher now, and we're hoping that it will be sufficiently high to attract investors.

We have some legal experts here and other experts who can clarify this further, but I just thought that was—

Mr Jackson: What about the differential treatment of Revenue Canada. Have you gotten legal advice on that?

Mr Loken: I'd just like to clarify the interest raised by the presenters a little bit if I could. What the CISC will be investing in is an equity share, according to the definition in the bill, that has a voting right. The preference we are speaking of, we're interested in a preference on liquidation or dissolution so that the government guarantee will not be called upon before—the assets of the business will go to the guaranteed shareholders first. As to the terms of the share, those are open under the definition.

If I could also clarify the debt-equity ratio, clause

11(1)(b) refers to the ratio between the CISC and the non-CISC investors. It does not refer to the arm's-length debt ratio to share capital.

Mr Rosario: I believe that in terms of the ratios, perhaps we didn't express ourselves as clearly as we would have wished. A 60-40 ratio or \$1.25 equity to one buck of debt is really above the banking requirements of the Canadian chartered banks. Not a soul in the world would have a minimal problem going with \$60 of equity to the CIBC, for example, if he says, "I want to borrow 40 bucks," no problems whatsoever.

What we were addressing was that the ratio, as we read this, is 25% existing funds, an additional 35% other sources and 40% CISC. If it's defined at 35%, it is debt, be it a mortgage on the property or the factory or whatever, perhaps. But if it is clearly and rigidly defined that 60% existing equity has to be present, no Canadian bank will say no to such a client.

Mr Cordiano: There won't be very many clients.

Mr Rosario: There won't be very many clients. Thank you, sir. That's exactly it.

Mr Loken: Sir, if I may clarify. I still don't think we clarified this properly. We're referring to the percentage between the share capital that is contributed to business, the CISC share capital as a maximum 40%, the non-CISC share capital as 60%. This does not refer to the debt-equity ratio in the business. The business may have \$100,000 in capital and may be borrowing arm's-length financing from a bank.

Mr Cordiano: Yes, but how do they accomplish 60% equity?

Mr Loken: We're talking about share capital. The decision as to the viability of the business, where there is enough share capital as opposed to debt capital, is another decision that will be in the valuation by the ODC in many cases.

Mr Mammoliti: Anyway, I want to ask a question.

The Chair: Mr Mammoliti.

Mr Mammoliti: I'm just saying I thought there was a process here—

The Chair: The process broke down when there weren't sufficient questioners for the parties to fill their time and so I was just providing ample opportunity for members under the constraints of the time to ask the questions.

Mr Mammoliti: Who broke the process?

Mr Wiseman: So really that 60% share offering could still be risky, so it's not really what you're saying here. The bank would never handle something like that.

Mr Rosario: No, sir. If the 60% is clear-cut, designated on the balance sheet of a company, be it by way of actual shares issued or by way of shareholders' loans, which is another form of capitalizing a company, which banks bring to the bottom line and consider as

capital, if that is your 60%, my suggestion here or our suggestion here is that such a company has no problems whatsoever in going to a bank to expand its business for an additional 40%. Where the banks have problems is when there is one buck of capital and the company is asking for two. If a company comes in with \$1.25 and says, "All I want is \$1.00," they give it like that.

Mr Wiseman: The problem is that where there is no capital and somebody wants to borrow \$4,000 or \$5,000, they can't get it.

Mr Rosario: But under the CISC, I suspect that company, unless we're misreading this entirely, would also not qualify. Under the CISC rules, that company will be told to raise—let's assume it's \$100,000—\$60,000 on its own before talking to the community association or the municipality or whoever. That's how we interpret it.

Mr Cordiano: Aside from all that, these two funds, the CLFs and the CISC, we're talking about \$30 million in total in guarantees.

Mr Rosario: That's correct.

Mr Cordiano: I think that is such a minuscule amount of money.

Mr Rosario: We find it small too.

Mr Cordiano: Very small. I mean, let's be very blunt about it.

Mr Jackson: The Liberals talk in terms of billions, you've got to know that.

Mr Cordiano: It's insignificant.

Mr Grandmaitre: And you don't know how to write.

Mr Rosario: I didn't catch the last part, sir.

Mr Cordiano: We were so rudely interrupted by editorializing by my friends on the right here.

Mr Rosario: We find it small because frankly, the GDP of the province is \$45 billion.

Mr Cordiano: You made that point earlier, but I just wanted to emphasize that what we're dealing with really is about \$30 million and that's not going to go very far.

Mr Rosario: No, it's not.

The Chair: Thank you, gentlemen. We appreciate your intervention. The committee will be adjourned till tomorrow morning at 10 am.

The committee adjourned at 1632.

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*White, Drummond (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

 Cordiano, Joseph (Lawrence L) for Mr Sorbara

 Haeck, Christel (St Catharines-Brock ND) for Mr Morrow

 Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

 Jackson, Cameron (Burlington South/-Sud PC) for Mr Arnott

 Jamison, Norm (Norfolk ND) for Mr Fletcher

 Wiseman, Jim (Durham West/-Ouest ND) for Mr Wessinger

Also taking part / Autres participants et participantes:

 Ministry of Municipal Affairs:

 Loken, James, legal counsel

 Melnik, director, community development branch

 White, Drummond, parliamentary assistant to the minister

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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general government

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Community Economic
Development Act, 1993

Loi de 1993 sur le développement
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LEGISLATIVE ASSEMBLY OF ONTARIO

G-343

STANDING COMMITTEE ON GENERAL GOVERNMENT

Wednesday 25 August 1993

The committee met at 1012 in the Humber Room, Macdonald Block, Toronto.

COMMUNITY ECONOMIC DEVELOPMENT ACT, 1993

LOI DE 1993 SUR LE DÉVELOPPEMENT ÉCONOMIQUE COMMUNAUTAIRE

Consideration of Bill 40, An Act to stimulate Economic Development through the Creation of Community Economic Development Corporations and through certain amendments to the Education Act, the Municipal Act, the Planning Act and the Parkway Belt Planning and Development Act / Loi visant à stimuler le développement économique grâce à la création de sociétés de développement économique communautaire et à certaines modifications apportées à la Loi sur l'éducation, à la Loi sur les municipalités, à la Loi sur l'aménagement du territoire et à la Loi sur la planification et l'aménagement d'une ceinture de promenade.

The Chair (Mr Michael A. Brown): The committee will come to order. I'm informed by the clerk that the first presentation has not arrived yet; I also understand that the second presentation on our list has cancelled.

Ms Janet Murray: The first presenter is here.

The Chair: Oh. Then we can get going.

Mr Randy R. Hope (Chatham-Kent): I have some questions to ask legislative research.

The Chair: We'll do that after this presentation.

ONTARIO SOCIAL DEVELOPMENT COUNCIL SOCIAL INVESTMENT ORGANIZATION

The Chair: Good morning. I'm sorry; we were looking right at you. First, you have one half-hour to make your presentation. You can divide that time as you wish, some time for the presentation and some time for a discussion with the members, and you may begin by introducing yourselves and your organization.

Ms Murray: Good morning. Our presentation this morning should be probably about 15 or 20 minutes, so we will have time for discussion. My name is Janet Murray. I'm a program consultant with Self Employment Development Initiatives, and this morning I'll be co-presenting with Bob Walker, a colleague of mine from the Social Investment Organization.

First of all, we'd like to commend the government on its initiative in support of community economic development. We feel that it will make a tremendous contribution to support disadvantaged entrepreneurs in Ontario in their efforts to become independent through self-employment, so we are here today to speak in support of Bill 40.

In general, we're satisfied with the legislation as it's now drafted. It appears to cover all the measures necessary to support and facilitate the implementation of the government's community economic development strategy. It's quite comprehensive, although we do have a few comments to make in direct response to Bill 40, which Bob will go through after my presentation. Our comments today will also generally focus on issues relating to the implementation of Bill 40 as it pertains directly to self-employment.

Mr Robert Walker: I'm Robert Walker. I'm director of community economic development investment research at the Social Investment Organization. The SIO is a national non-profit organization. We're membership-based. We provide information to investors who want to attach social, ethical or environmental criteria to their investment decisions. In recent years, more and more people are coming to us with requests for opportunities on investing in their own communities, and that's how we got involved in community economic development.

Ms Murray: I work for SEDI, Self Employment Development Initiatives, which is a division of the Ontario Social Development Council. The council was established I think about 90 years ago and we're a non-profit organization. SEDI is committed to promoting self-employment as an option for the employment-disadvantaged. Since 1985, we've been involved in the design and delivery of training programs which support the unemployed and social assistance recipients in achieving economic independence by starting their own businesses. These programs have provided invaluable evidence and experience to suggest that self-employment is a cost-effective and viable way for people to attain independence.

Just by way of background, both SEDI and SIO have working relationships with more than 20 different self-employment training and business development programs in Ontario. In addition, we're in contact with many other small business development programs across the province. While we do not directly represent these organizations, we can say that self-employment training and credit-delivery practitioners from across the province are generally very supportive and positive about the proposed community loan fund program which I'll direct my comments to today. I think there is broad support for Bill 40 and concern that it be approved and implemented as soon as possible.

It has become clear, especially in the case of entrepreneurs who are on social assistance, that there is an urgent need for accessible credit to support both busi-

ness startup and expansion. Through our contact with training programs and their clients, we know that there are hundreds of disadvantaged entrepreneurs across the province who urgently require accessible and affordable credit. These people cannot access credit through the traditional banking system, and they do have viable business ideas and excellent business plans that were developed through these programs. They're willing to pay for credit at market rates; they just can't access it. So we feel that this program, as it is planned, should remove a major barrier to the starting of businesses by disadvantaged entrepreneurs, getting people off the welfare rolls and creating new jobs.

In terms of issues that we have with Bill 40, as I mentioned earlier, a number of our concerns relate more to implementation than to the legislation as it's written. Our first general area of concern is to do with accessibility, basically accessibility by communities to the program and also by disadvantaged groups to the loan funds. I think we need to recognize that a broad call for proposals won't really be enough to level the playing field for people.

The first comment that I have is around technical expertise. It seems clear that there will be a fair level of knowledge and expertise required to ensure that community loan fund programs are effectively developed, and capacity-building will likely be required in some communities. We'd like to recommend to the government that in implementing Bill 40 it provide funds for developmental work in the provision of loan fund expertise in order to ensure that programs are well planned and effectively designed and managed. In addition, in consideration of the legal and accounting requirements under the Securities Act, it's imperative that communities be given support and guidance in preparing their prospectus and legal documentation.

The second area is with regard to disadvantaged groups. We're very keen to ensure that various disadvantaged groups who are often underrepresented in these kinds of processes, for example, visible minorities, women and the disabled, be considered in the development of this program. In addition to the barriers of accessing credit experienced by all people starting small businesses, we feel that these groups face additional barriers due to their race, gender and ability. We'd like to recommend that in preparing for the implementation of Bill 40, particular attention be paid to the requirements of these groups and that community organizations be encouraged to involve representatives of these groups in the development and implementation of their loan funds.

The final area regarding accessibility is that some concerns have been expressed by rural and northern communities. We have a bit of a concern that there could be an urban bias in the loan fund model as it is now, which assumes the potential for raising capital for

large loan funds and also assumes a fair amount of geographic concentration. Concern has been expressed by various people in our contact that smaller communities and/or groups of communities might require developmental expertise, financial support and some flexibility in the design in order to deliver these kinds of credit programs.

We would like to recommend that, for one, the government promote awareness of the community loan fund program—some communities aren't very much aware of the kinds of programs that are available to promote community reinvestment—and that the community loan fund in particular be promoted, its approach and its objectives, taking fairly special measures to ensure that isolated and rural communities are made aware of the opportunities here.

In addition, we'd like to recommend that direct developmental support go to these communities as well, where possible and appropriate.

1020

Finally, one more comment, and it's to do with the role of business development centres; I understand that there were some discussions about this yesterday. We think it's important that we recognize that a network of business development centres exist in Ontario. It's a community-based lending infrastructure, and we're concerned that the community loan fund program should not create new entities that duplicate work that is already being done, promoting unnecessary cooperation.

We'd like to recommend that the government consider applications from business development centres and that those decisions be made in the context of a review of local capacity: seeing what gaps exist and what needs there are in various communities. It's important that there be a clear policy and criteria around selection in communities and that there be a consistency of treatment of the various organizations in the application process.

In conclusion, SEDI and the SIO support Bill 40 and the community loan fund program. We feel that there is substantial demand for these unique credit services and that the program would provide a really valuable service that would create a lot of jobs and other opportunities, so we would like to recommend the program's rapid implementation.

My colleague Bob is going to speak about some of the legal implications. He had questions and concerns.

Mr Walker: I wouldn't put it so grandiosely. I will be speaking to some of the specific articles of the bill, but please keep in mind that I'm not a lawyer and much of the wording of the bill appears to me to be a little opaque.

My remarks do have two main themes or overarching recommendations that build on Janet's recommendations: (1) that we strive to build into the program and

into the legislation as much flexibility as possible, and (2) that we strive to make the program as accessible as possible to rural and northern communities.

I have seven points with regard to the bill. The first point deals with part II, the community investment share corporations, specifically section 6, which prohibits the corporation from lending money or providing financial assistance to a shareholder or a member. This of course is entirely appropriate. We would like to see built into the program—I'm not sure if it's appropriate in the legislation, but into the program at least—that we allow past beneficiaries to become not just shareholders but also board members.

The SIO, in developing three loan funds in this province since last spring, has found that people who potentially benefit from the loan fund have a strong desire to put back in once they've gotten a leg up. Once having received from the community, they want to put back into the community, and I wouldn't want to see anything in the legislation or the program prohibit that from happening. There's a more utilitarian reason for this as well, and that is that people, having gone through the process, have valuable experience and can help out, particularly as board members, in devising a more effective CISC or CLF.

My second remark has to do with CLFs and with section 22, which states, "A community loan fund corporation shall not provide collateral for a loan to an eligible borrower if...the amount of the collateral is greater than 10 per cent of the corporation's total assets." Our concern here is that the restriction may choke off important opportunities in communities where economic initiatives are few and far between. We want to suggest that the province consider relaxing this provision at least for rural and northern communities.

The third remark has to do with the provincial grants and guarantees, part IV of the bill, specifically section 26, in which municipalities are deemed ineligible for startup of financing for a community investment share corporation. This again might act as a barrier to the takeup of the program and we'd like to see this relaxed, perhaps at least for rural and northern communities.

Point 4: section 28, which deals with the guarantees, again, not specifically in the legislation. One of our concerns is the amounts that have been specified of \$10 million guarantees for loan funds and \$20 million for the assists are in keeping with the small-scale nature of CED financing, but may be perceived in many communities as a kind of a limit on the program itself, and those communities that are behind in getting together, in developing the capacity to take up these programs, might feel that they're too far behind and there's no point even getting started. If there could be at some point in the program at least the proviso that this program will continue if it's judged to be a success, then I think that could go some distance in encouraging

communities to get started in the process of CED.

The fifth point has to do with the offering statement, section 33 under part V. Our concern is that this document not come to be a prospectus-like document because prospectuses are extremely costly to develop and it might be too onerous for many of these communities to develop them if they're expected to meet the standards of typical Securities Act prospectuses. Our recommendation here is that we keep these offering statements as simple as possible.

The sixth point has to do with a time limit on raising capital for development corporations. A time limit of six months has been placed on the offering. Again, in rural communities and in northern communities where resources are scarce and where the problems of distance may slow marketing efforts, I would suggest we relax that time limit.

My last point has to do with the Municipal Act where municipalities are prevented from investing in an economic development corporation. We recommend that the province consider allowing those municipalities with reserves to invest perhaps a small proportion of those reserves in an economic development corporation to get the ball rolling, so to speak.

In conclusion, I want to reiterate that the demand for these programs is high, not only on the part of the potential recipients of this financing but also on the part of potential investors. People are looking for opportunities to help their communities and we come into contact with them on a weekly basis. Thank you.

Mr Bernard Grandmaître (Ottawa East): Mr Walker, in your opening remarks you mention that more and more people are visiting your office to invest; they want to invest. Can you give us a few examples of the type of people who come to your office?

Mr Walker: Typically, they are people who might have holdings already in ethical mutual funds or environmental mutual funds, and they are simply unaware of opportunities in CED. Once we mention these kinds of opportunities to them, they do express an interest. We have had people literally come in off the street. One woman came in last month claiming to have \$600,000 that she wished to invest in some way, but her concerns were the more typical concerns of socially responsible investors. She didn't want to invest in firms that have holdings in South Africa, for example. We gave her a set of options to look at and when we began to talk a little bit about this program, that really attracted her interest.

It's amazing the kind of people who are out there looking for opportunities. They won't put their entire nest-egg in these programs, but they are willing to put a part of it and we come into contact with them.

Mr Grandmaître: I find it somewhat strange that a person with \$600,000 who would go to your office.

Mr Jim Wiseman (Durham West): What's stranger is somebody with \$10 million who leaves it to their cat.
1030

Mr Grandmaître: I don't know all of your services, but why would a person off the street, with \$600,000—

Mr Walker: First of all, we don't manage anybody's money. We're not money managers.

Mr Grandmaître: No, I realize this.

Mr Walker: We provide information. I don't know what else to tell you other than that we have 350 members across the country. I can tell you that there are five ethical mutual funds in this country now. I think their assets are in the hundreds of millions of dollars. The performance of these mutual funds is as good as and exceeds the performance of other conventional mutual funds. The ethos of the SIO is that this isn't charity. You don't invest for charitable purposes; you do invest to get a return, but we believe it is possible that you can get a financial return and not abandon your social and moral values. This seems to be the case. We only started up in 1989. We have experienced growth during a rather severe recession and we look at that as rather remarkable and we look forward to more growth in the future. We have a target now of 2,000 members that we want to reach in five years. Whether that will happen or not, I can't say at this time.

Mr Grandmaître: How long have you been in business?

Mr Walker: Since 1989.

Mr Joseph Cordiano (Lawrence): I don't have any questions.

Mr Hans Daigeler (Nepean): I'm also interested, like Mr Grandmaître, in exactly what you do. Who is behind you? Do you have a board?

Mr Walker: We have a board of directors, yes.

Mr Daigeler: Where would they be coming from?

Mr Walker: Some from the legal community, the investment community, foundations.

Mr Daigeler: How do people hear about you? It's not something I'm familiar with.

Mr Walker: We have a newsletter. First of all, we're membership-based and that's where our capital comes from. We receive no government financing. As I said, we have 350 members of individuals, organizations and businesses. We publish a newsletter quarterly, plus updates. We hold a national conference annually. This year's conference is on financial institutions and social responsibilities. We have people from the Royal Bank, Mouvement des caisses populaires et d'économie Desjardins, some caisses populaires in Quebec, Vancity out on the west coast coming to town to speak about our financial institutions.

Mr Cameron Jackson (Burlington South): First of all, Robert and Janet, thank you for your presentation.

I'm not having any difficulty understanding your operation. I think it's quite contemporary and appropriate and people like to invest with a conscience as well as with a return. It's probably as simple as that.

Mr Grandmaître: High risk.

Mr Jackson: Holistic investing is not spreading the risk. For those traditional investors it may be a difficult concept.

I appreciate one of your opening comments about this whole issue of flexibility and access. It's something which two previous deputants have raised. You articulated it very clearly as the potential for a strong urban bias. That's been corroborated by staff, that there is an emphasis in urban areas, that there are 40 targeted as a number, of these planned institutions and that parallel to this are the business development corporations, and there are a number, about 55, in Ontario.

I appreciate very much your recommendation that we don't need to reinvent the wheel, but with flexibility there is room to move quickly in those smaller communities that are currently serviced by business development corporations. I think that was your point. It's not that they should be the vehicle, but that, all things being considered, they may be an ideal situation, modify their boards slightly, expand their terms of reference, divide the two portfolios but brace it under one set of expenses. Are those the concepts you're referring to?

Ms Murray: With regard to the business development centres, there may have been some misunderstanding originally as to whether a program that was federally funded would be eligible to partake in this provincial program, and we wanted to make sure that there would be fair and due consideration for all parties who are applying. But we are also concerned that there are limited resources and that, where possible, existing and effective systems can be used and that competition is not necessary.

In some cases, business development centres are not doing this kind of lending. They're lending to much larger organizations. In some cases, it's a very appropriate thing. We wanted to ensure that there are clear and transparent criteria that ensure that all organizations are given fair consideration in the process.

Mr David Johnson (Don Mills): There was a deputant yesterday who drew an analogy with the insurance business—I think he was with the inventors' association or something like that; I just forget exactly—but he said that this program is doomed. There was a reference, I think, one of you made to the amount of money—I think it was yourself—\$10 million in the loan fund, \$20 million in the CISC, which he said is just too small a base, that essentially what we're trying to do here is insure six people.

In the insurance business, you pick winners and losers. Some people die early, some people die later but,

on average, because you're insuring a whole lot of people, it sorts out. Here, because of what he considers to be a small amount of money, the \$10 million and the \$20 million, again we're trying to pick winners and losers, but there just isn't enough money. The likelihood is that there'll be losers that will be picked, and because you're dealing with a small amount of money, in his view you won't be able to pick enough winners, so the whole process is doomed to failure. I'm wondering what your reaction is to that.

Ms Murray: I think it might be helpful to give you a sense of the kind of people who will probably use this loan fund. I was just visiting a client who's a woman on FBA. She has three children under the age of 4 and she's 22 years old. She started a pet shop, more a pet supply store, out in Ajax, and this was the third week of operation. She's having issues around suppliers, and we went to do a consulting visit. She's got, I think, gross revenues of \$300 a day, and it looks like she's going to be able to break out and support her family. It was gradually increasing. The look on her face was quite astonishing, to see the hope in her face that she could somehow get off family benefits.

The kind of capital she needed to start this store was not a great deal, because she's been trained, through the programs that we're involved in, to assume a very low input of capital and to plan on a very lean basis.

Our whole philosophy of the growth of these businesses is that they should step up gradually, that they start with very little risk and very little capital and build with what they have. It's the whole idea of sweat equity.

Mr David Johnson: How much money were we talking about, just for example?

Ms Murray: Actually, I wasn't privy to the books on this visit.

Mr Cordiano: Did she use a New Ventures loan?

Ms Murray: I'm not sure. I think she actually got started with a loan from friends and family and is now in the process of trying to apply for one of these kinds of loans.

Mr David Johnson: On the flip side, I wonder how the investors—

Ms Murray: I don't think she would have been eligible for a New Ventures loan.

So I guess what I'm saying is that the size of the loans are probably going to be very small. In fact, a lot of the trainers in these programs are concerned that people will get carried away and want to borrow \$10,000 right away, and it's just not necessary. They're encouraged to start very small, and if they do use that money effectively and pay it back, then at that point they would go for another loan, so that they may, over the course of a year, apply for and pay off a number of loans for different things.

So I think it's important to keep in mind that there really is a backup system of business development training programs that's assumed in this whole model as well, that the loan fund fits into an overall picture of business development support at the community level that's quite effective.

Mr Drummond White (Durham Centre): Mr Walker, Ms Murray, I was very impressed with your presentation. I have a particular interest in your organization because a very close friend of mine was your founding president, Dr Warren. It was very gratifying for me personally to hear SIO being referred to by its initials and as an institution after only four years because of the tremendous role that you have had in the community and also, of course, your good work with the Ontario Social Development Council and the obvious cooperation and collaboration you've had in this and, I might mention, other presentations.

1040

The issue about social investment I think is worth exploring further because frankly that's what this bill is about, in terms of the community loan fund particularly: the risks that people assume, the important investment in people, in getting them off a state of dependency and being involved in the community.

I'm wondering if you could, for the purposes of the community, explain a little bit more in regard to the programs that you're familiar with that are parallel to the CLF, the ones that you mentioned yourself as having initiated. Perhaps if you could talk about how that would fit in as part of the network of services that are essential for people who are receiving assistance or needing their first startup. Mr Walker?

Mr Walker: Perhaps I could speak a bit about the three loan funds that we have worked to develop so far, since the spring. One loan fund in eastern Ontario, which will work in several Ontario communities, has actually been started up by a foundation, the Grindstone Island foundation. They have capital and I'm not sure at this point if they'll be applying to this program or not, but in any case, that's one loan fund that's up and running.

The second fund in Ottawa has arisen from a revolving fund that was in existence in Ottawa and that financed housing cooperatives mainly. They have now agreed to expand their mandate and they've made a significant deposit in the Ottawa-Carleton loan fund, and that loan fund is now in search of more investors.

There is a third loan fund here in Toronto, the greater Toronto area community loan fund, which will be starting up shortly, which is on a search again for investors. They have yet to receive a deposit.

There's almost a famous example now of where socially responsible investors can arise and how they can arise in the most unlikely places. There is a similar

program in Saskatchewan you may be aware of, the Saskatchewan community bond corporation program in Rosetown, Saskatchewan, a community of 2,800 people. They started up a CDC in 1990. Under that program you have three months to raise capital. Within that 90-day period, the residents of Rosetown raised \$800,000, which was their target, for the corporation. This is in rural Saskatchewan.

The point is, there's desire out there, and not just on the part of people who are already in socially responsible investment, but people who are interested specifically in helping out their communities.

Mr Hope: I was particularly interested in your comments around rural Ontario, being a rural member. I don't always like adapting programs to Metro because they don't always work. I had a corporation in my own community, Navistar, which is a truck manufacturer. Workers volunteered their time, put the truck together and now they're using it to raffle off to build an indoor pool in the community. So it does have its benefits.

But where I'd like to focus—you touched only on welfare and I'm wondering—I'm not sure about time; I know I don't have much time—if you worked at the older worker program where the workers are eligible through plant closures, moneys that are sitting there that are available and they have investment ideas, because a lot of the plant workers are very intelligent people and they have opportunities; your linkage with Innovation Ontario Corp, which I'm very curious about; and also around the rural communities. You said you've had a conversation with them.

The problem that we're starting to see is the urban centre of a rural community. The larger of them all seems to be the hog and the rest of them suffer as a consequence. I know some of us are trying to push Kent county economic development versus the specific individual community in its own economic development. I'm just wondering what feedback you're getting on that end of it, if you're getting any.

Ms Murray: My first comment was about older workers and dislocated workers. Forgive me; I was referring specifically to social assistance recipients, but a number of the programs that we work with are funded through Jobs Ontario and there are a lot of people who are UI-ineligible, which would include people who have benefits packages from being laid off. So we do work a lot with those people. They tend to have some savings and therefore are able to start sometimes more ambitious businesses. So there are programs that are working with these people. I would assume that there will be people who will access the credit funds who are involved at that level, but it's more likely that the people who will need the loan fund are people on social welfare, social assistance.

Does that answer your question?

Mr Hope: Well, I'm wondering, with your linkage, because I'm hearing that some people have a hard time understanding the social value of investing a dollar and making 10 cents versus investing a dollar and making a dollar. You can invest a dollar and make 10 cents, but there's a social fabric that is re-established in your community, like putting people back to work, which is important. As we read in the papers today, there is no money from the federal government for jobs, so I guess we have to do it as a community base through this process. I'm wondering, do you see that in the context, because it is important for a lot of our people in our community to invest, even if they break even on it, in rural communities?

Ms Murray: I have some experience working in Elliot Lake, for example, at the time of the mine closures. It was astonishing to see how people who had made an investment in that community really wanted to find any way possible of staying and reinvesting in their home town. So there was a lot of interest in small business startup, especially around the seniors' community and that kind of thing, and it really did have a broader effect on the morale of the community in the kind of sense of trying to ensure that the community had a future and that people were going to stay and invest. So I think there is a broader context. It's not just individual people starting their own businesses, it does have a broader context of investment and community morale.

The Chair: Thank you. As the member representing Elliot Lake, I'm always interested in those comments. Thank you very much for coming this morning with your presentation. As you might know, the committee will be considering this bill clause by clause next week.

We have a cancellation for the next presentation, but Mr Hope, I think, has some questions for the researcher.

Mr Hope: Yes. Last night I stayed up late to read this stuff. You find your social life, being a politician, at the very minimum, nothing. But I was up looking at this documentation—

Mr Jackson: How many friends do you have?

Mr Hope: I have lots, Cam. Don't worry about me.

Mr David Johnson: No voters?

Mr Hope: Lots of voters too. You'd be surprised.

The Chair: Mr Hope, just ignore it.

Mr Hope: I'm being intimidated here and I'm trying to make a serious comment.

Mr Jackson: Are you getting your hair fixed today?

Mr Hope: Don't worry, some of us can comb our hair, Cam. You can't.

The Chair: Order. We would like to get to—

Mr Hope: Yes, I would like to get to the point as I'm trying to make it. As we were handed the document, directory highlights, first of all I don't know the

title and I'm wondering if it's important, as we have a photocopy of it, to get a copy—or the title of the book that this was being brought out of.

Second of all, I notice a lot of the programs being American-related communities. I remember a while back there were studies that were done around risk factor in the social fabric that we just heard from the presentation where, if there's any—I'm wondering if Legislative research knows of any information that would be out there pertaining to risk factors. I'm talking about investment, through Statistics Canada, or others have done studies where they say in Canada or in Ontario when they invest a dollar they expect x amount of dollars return, and in the United States they invest x amount of dollars and they only expect—I know there was a study done by Statistics Canada or somebody, but if the Legislative researcher might have access to some information pertaining to what I've just tried to explain, because I'm trying to draw a linkage comparator as we try to look at this overall program around economic renewal and economic stimulation in rural communities.

The Chair: Do you have any questions of clarification so you get exactly what Mr Hope's looking for?

Ms Anne Anderson: I will look into that and see what we can find on that.

In terms of title of the directory, I believe it's called the Directory of Microenterprise Programs from the Association for Enterprise Opportunity, but I'll confirm that for you later on.

The Chair: I'm sure the ministry might be able to be of some assistance also. Are there any further questions? If not, I think we'll take a 10-minute recess.

Mr Jackson: If I may, is there any deputant from the morning's grouping who has arrived?

Mr David Johnson: Anybody else who'd like to make a deputation?

Mr Jackson: I wouldn't go that far.

The Chair: We will recess until 11 am.

The committee recessed from 1051 to 1104.

CALMEADOW

The Chair: Our next presentation will come from the Calmeadow Foundation. Jennifer Harold, you have been allocated one half-hour by the committee for your presentation. Typically, you will allow some of that time for a conversation with the MPPs.

Ms Jennifer Harold: Okay, great. I'm not sure how many of you are aware of the Calmeadow Foundation. We're an organization that actually has split into three parts. The part I work with is called just Calmeadow. We do the program side, so in all our reports it's just Calmeadow now. The foundation side has gone off to the side. It's our fund-raising arm.

I wanted to talk about Ontario Bill 40. I think that this is a really important piece of legislation in terms of

creating opportunities and creating windows. Too often legislation restricts, so it's very good to be seeing legislation that opens up opportunities. So I like that, first of all, and I like the philosophy behind it in terms of inviting participation of communities instead of the government coming down with a lot of money, a lot of programs. This is something that is invitive and participatory. So I think the philosophy behind it is very good and I would like to thank the people who put a lot of time and effort into developing this legislation, because as we at Calmeadow went through it, we realized the points in that must be very difficult. So thank you for the time and effort.

At Calmeadow, we're an organization that specializes in micro-credit loan funds. I'm really going to focus on the community development loan fund part of the legislation. For the last 10 years, we have been looking at credit programs, micro-credit for low-income micro-entrepreneurs all over the world. We started in South America, have done a lot of work in Bangladesh and Africa and in the past four years have been bringing that methodology to Canada. We have a loan program in 20 native communities and we have two non-native communities, one in urban Vancouver and another non-native program in the rural part of Nova Scotia.

What we've been trying to do is look at methodologies that will create sustainable loan programs. I think that as we have looked at how we can create, well, really a financial institution that is going to be sustainable over the long term, we've really wrestled with some issues that I think come out in this legislation. We're very pleased that sustainability and viability over the long term is a priority in the philosophy behind this legislation.

There are really three things about the legislation that I'll point out and then some comments that really I guess would come in the regulations part of it. You have a handout that I've provided here.

The first point is an issue of eligible borrowers. That's not defined. What we found is, in government programs and non-government programs, there tends to be a creaming where the people who normally would come to us, the low-income micro-entrepreneurs who are doing something out of their home, a program comes along and it just doesn't catch those people. The eligible borrowers tend to be the cream of the crop. Again and again and again, with self-employment assistance program, with New Ventures loans, with all these different programs for the eligible borrowers, the threshold is too high for the ordinary people we were looking at. Not that those programs aren't excellent, but I would just really strongly want to say that in defining "eligible borrower," the threshold should be sufficiently low enough that the part-times, the startups, those people who are involved in seasonal employment or supplemental employment should not be excluded. I'm

not suggesting that you target those only but just that they would be included.

Also, I just ask a question about, what will happen if those people with limited money—the money tends to go to those who are more formal, more full-time. So my question is, is there going to be an appeal process or a review process for people who are not included in that framework, “eligible borrower”?

Our biggest concern is related to the viability of these funds, and the second point is that in paragraph 17(1)4, the community loan fund corporation must “restrict its activities to providing collateral for loans to eligible borrowers.”

It is our opinion at Calmeadow that if funds are only allowed to provide collateral, they will not in the long term be viable funds, because in this situation, if you're providing collateral, the actual lender is the bank, not the fund. So the interest is accrued to the bank, not to the fund. So our question is, how is this fund going to make any money? Who is going to invest in a fund where the return isn't guaranteed? Really, I question how any return is going to be accrued to the fund. At Calmeadow we have been in this collateral situation, and there is no fund in North America that is covering its operating costs by providing only collateral.

1110

I have given you a handout from the National Association of Community Development Loan Funds. It's a survey that just came in yesterday, so it's hot off the press. I want you to be aware that this survey—it says “community development loan funds,” but these are substantially different types of funds than what we're talking about, micro-credit. These funds fund mortgage and housing. If you look at the average loan size under “Lending Activity,” you'll see it's \$60,000, and these funds have been operating for nine years. Yet when you look at their sources of fundings, every single one is dependent to some degree on grants.

No funds, if they can only provide collateral, are able to survive even on the interest. These funds are able to lend their own money, but they are not able to survive on the interest alone. So just be aware that the structure you set up has to be open enough that these funds are going to be able to make money, because otherwise the government is going to be involved in supporting these funds long beyond three years.

Calmeadow was the first organization in North America to do peer group lending or to do any kind of micro-credit lending. We do not believe we have a method for being financially sustainable, and we have cut costs, we've used the peer group method, we have one loan administrator where other funds have six, we have more borrowers with that one loan administrator, and we are still not breaking even.

So just be aware, these funds are going to cost you

money. To figure out what the cost is going to be and is that worth it, I think it's worth it, because when we look at the social benefits alongside the financial benefits, they are worth it. If you make the eligible borrower broad enough, it is worth it; the benefits, aside from the social, are worth it. But don't expect that they're going to be financially viable, unless they're able to lend their own money.

The other question I have is on section 18, just a question about who can purchase these class A securities. We are in the process of setting up a loan fund in Toronto, and the foundation arm of Calmeadow would like to own most of the loan fund. We're wondering if it's possible for foundations or charities to buy these securities and also what the limit's going to be. We would probably want to own most of it.

The last question is, what expenses are going to be reimbursed? Will you cover lawyers' costs? These loan funds should have a professional consultant come in and design them. That's very expensive, \$50,000 at least. Are you going to cover that? If not, my concern is that a lot of loan funds are going to get started that really aren't going to be able to do what they need to do to be successful.

These are some other questions that I've outlined here. The size of the loan funds: If you have a limited amount of money, and we understand that, and you want to see 35 loan funds set up, you will be able to guarantee a portion. We want to know, if we want our loan fund to be bigger, say, than \$250,000, can we expand that by getting unsecured securities, or non-guaranteed securities? Could we sell securities beyond what you are able to guarantee, or is our fund going to be limited by the amount that you're going to be able to guarantee? So that's a question.

The other thing was—I think that was the main question, about the size of the loan funds that you're going to be able to—is that my time? Just about.

Interjections.

Ms Harold: Okay. Another thing—just a comment; this is for the legislation side of it—is determining the eligibility of the sponsor of these loan funds. I'm the training coordinator at Calmeadow, and there are many, many, many communities and organizations that come to us for training in setting up community loan funds. The first thing we have to do is really, really work hard with them to sort out what they want to do.

There was a group from Sudbury that I worked a lot with and they wanted to solve all the ills of their community with this loan fund. I would just warn you, if you run into somebody who comes along like that, they can't do that. These are \$5,000, \$3,000 loans. People are not going to turn into Horatio Algiers overnight. It's just not possible; it's not feasible.

The other point that I would like to make is about

monitoring, aside from the collateral. We have had a lot of problems getting banks and other financial institutions to join in with us. In Vancouver, the CCEC credit union was very helpful to us in coming alongside, but they are not useful for us. We need to be with a chartered bank. It took years for us to hammer out agreements with the chartered banks. We know the problems of getting chartered banks on side with these loan funds. It's not just because the borrowers don't have collateral; it's because the administrative costs per dollar lent are too high.

If the banks are doing the lending, which is the collateral side of this setup, I don't know if banks are going to do it. I am very concerned that they are not going to do it. Who is going to do the monitoring? As it is now, the chartered banks are not set up to do monthly monitoring. What they can do is withdraw a certain amount every month from someone's account. But if the money's not there, they really do get lost. They're too big; they don't work that well. We have had very, very complicated discussions with banks to get them to do any sort of monitoring. That's where we have had full-time loan administrators on site. That's another problem: Who's going to do the monitoring?

We talk about it as being credit, but really it's debt. We are selling people debt. What happens is the organization thinks they're doing great things, selling credit. Then the good cop becomes the bad cop when they have to collect. That's another issue around the repayment.

The last thing, I think, that I would really like to focus on is other barriers. This is a very important, good piece of legislation, I think, that will open up opportunities. But alongside that needs to be something from the Ministry of Community and Social Services that enables people on social assistance to pursue self-employment. As it is now, loans are treated as income, not as business liabilities, so they are penalized. So, most of our borrowers who are on social assistance are scared to death of being cut off. It's a little bit clandestine. We get around it in another way.

Those are the points I want to make; any questions?

Mr David Johnson: Well, are you available to run this program?

Ms Harold: Well, we have a program that we're setting up in Toronto now. We're in the design phase of it so we know what it costs to design programs.

Mr David Johnson: You obviously have a great deal of practical experience.

Ms Harold: Yes.

Mr David Johnson: It's an excellent presentation. I was most interested in, when you were talking about sustainability of the programs over the long run etc and the fact that your own programs, you've indicated, are not sustainable. I agree with you 100%: That would be

the objective. Otherwise, you know, there just isn't enough money in the world to fund all the various programs that we'd like to do.

How close to sustainability do you come? Can you give us any kind of measure—some measuring stick—on this thing?

Ms Harold: Yes, that's a good question. One of the reasons to get closer to sustainability, we have chosen the peer group lending method where, instead of having a collateral-based or business plan-based lending, it's character-based. You join up with four other people. The group acts as the banker; the group monitors the loans; the group does repayment. So all those things that you normally need someone else to do are covered.

But right now, all of our programs are funded by donations. At this point we're not sustainable. But our strategy is action research. So what we're doing is trying to penetrate a certain market, a certain per cent. We figure—so we take a slice of that and say, "If we can get 30% of this market and then over the years expand that, we believe we will be sustainable." So within time, we will be sustainable.

1120

Mr David Johnson: What's the greatest problem in reaching sustainability? Is it the fact that some loans go sour, or is it administration costs, or what is the biggest problem?

Ms Harold: For us, it's volume. We don't have enough loans. With our non-native program, we haven't lost a single loan yet, but we don't have enough borrowers, and the loans are so small that the interest we make on those loans is nothing. Also, because we lend through a bank, the bank gets all the interest; we don't get any interest on it.

Mr David Johnson: So a lot of your programs, I guess, have been overseas, from the way you introduced it—Bangladesh, Africa you mentioned.

Ms Harold: Those are partners; they aren't our programs. We work with them to develop them.

Mr David Johnson: What sort of volume do you have here in Canada?

Ms Harold: We have about, let's see, 50 borrowers in Nova Scotia and 50 in Vancouver; that's our non-native program. I think that probably 70 loans each—people are on their third and fourth loans.

Mr David Johnson: One of the deputants yesterday mentioned critical mass, that there's a critical mass that you need to make this thing go. I think that's what you're saying.

Ms Harold: That's right.

Mr David Johnson: Have you identified or given any thought as to what that critical mass is?

Ms Harold: Yes, we considered a per cent of the labour force in an area that is interested in self-employ-

ment, so not just those who are currently self-employed but those who are potentially—but at the same time, we do not consider ourselves in the business of promoting self-employment. So, of those who are self-employed currently, we would like to get, say, 30%.

But it is incredibly difficult to figure out who those people are because the majority of them are informal. They are not formal businesses, and when you see a Maclean's article, front page, cheaters, talking about those people who are operating under the table, those are the people we're working with.

Mr David Johnson: I think the deputant the other day was referring to the fact that there just weren't enough loans.

Ms Harold: That's right.

Mr David Johnson: And that the \$10 million in the loan fund just wouldn't generate enough loans that, in his view, it could be sustainable, I think, or successful. Do you have the same view that the \$10 million in the loan fund—is that enough to achieve the economies that you apparently lack with your foundation?

Ms Harold: I think that amount can be used to leverage all kinds of other money. That's not my primary concern, the \$10 million; that money's going to be spread over a number of communities.

The only way you're going to know some of these things is by doing it. You just have to try it. So I think that this is a good step in trying it. But just beware: It's going to cost a lot of money.

Ms Christel Haeck (St Catharines-Brock): Thank you for coming. If anything, I have probably 50 questions, and we won't have enough time to answer that. I am interested in your comments regarding monitoring and I wanted to raise the issue of marketing.

One of the previous presenters talked about getting the word out, and you said you don't really see yourselves as promoting self-employment, and yet that's in fact what you do—at least, you're trying to promote self-employment among a limited group, but most people don't know about you. Who does know about you at this point? Until this committee, I had absolutely no idea that a group like yours existed, and as an MPP, people come to my office, they're interested, being social assistance recipients, in getting off welfare and starting their own business, and yet there is no mechanism. Now you've given me the mechanism, but you don't want to market. So how do we in fact get together other than by happenstance being on this committee?

Ms Harold: Those are good points. First of all, we see ourselves as fulfilling a need. That's why we don't say we're promoting self-employment, because self-employment is not something that's going to work for every person. So if there is a credit need and a gap there, that's our service we're providing, rather than promoting or telling people to get into this.

The reason you haven't heard about us in Ontario is because at this point our programs are in Vancouver and Nova Scotia, and in those areas, the programs are called PAL and PARD. What people hear about are PAL and PARD, rather than Calmeadow. The other program we have, the native program, is First People's Fund, but again it's very reasonable you wouldn't have heard about that.

We haven't tried to push ourselves in Ontario because we don't have the resources to meet all the demand that there is right now. But January 1, we're starting a loan fund in Toronto, so hopefully you'll be hearing more about us then.

Ms Haeck: That definitely answers that question.

As far as the monitoring side, you said that the bank is not in a position of knowing that there is—or when they see that there is not the money there to pay off the loan that particular month, they don't, basically, make the call to John or Joan and say, "Is there a particular problem why the money isn't here?" They issue an NSF report and that's basically what happens at their end. But what do you do to keep people on track and make sure that the business stays viable?

Ms Harold: That's why we have peer groups. It's the groups themselves that—everyone in that group has a vested interest in everybody else maintaining their repayment, and so then they have an interest in everybody else's business surviving. Some groups have set up their own incubators. Some groups actually have businesses that start interlinking: one does the selling and one does the buying and all sorts of things. So ideally, that's how the peer group mechanism works.

One of the concerns we have is that if you have 20 individual loans it's a lot to keep up on. If you have those 20 people organized into four groups of five, it's easier to keep up on. That's how we do it.

Ms Haeck: Okay. Where do you draw your money from? Who is behind the Calmeadow Foundation?

Ms Harold: There are about 20 private foundations, about 50 corporations and hundreds of individuals. It's all private money, privately funded.

Ms Haeck: Sort of the ethical borrowing concept?

Ms Harold: No, we don't—the ethical borrowing?

Ms Haeck: That somebody who is an investor, as we heard from our first deputant this morning—that people who have a desire to put their money for, say, the good of the community rather than investing it in South Africa.

Ms Harold: Right. But we're not an investment. This is straight donations, grants, things like that. It's easier to get a donation, it's easier to get a grant, than to get an investment. Corporations will give money but they won't invest, because the return isn't guaranteed and also they can't get their tax-deductible receipt for it. That's what we've found. The whole corporate side of

it is that they're more willing to give than invest.

Ms Haeck: I see.

Mr White: I just wanted to congratulate you on your presentation, and certainly I'm familiar with your foundation and some of the excellent work that's gone on for some time. I think it's somewhat ironic that your knowledge of Third World development will now come in very handy in Canada with some economic changes that have happened.

I didn't really have a question, but simply that you have a number of concerns in regard to specific points in the legislation and how the program will work, and I hope that you will take advantage of this time now to consult with the ministry people who are behind you and will be able to answer many of those questions and, frankly, given your extensive experience, will be working with some of the CLFs throughout Toronto or other areas to be able to advise them. But please, after you've finished your presentation, please feel free to consult with some of the folks at the back who can answer some of the questions that you posed in regard to the legislation.

Mr Cordiano: I just want to touch on some of the very real concerns that you had with respect to the legislation that's being proposed. It's my understanding Calmeadow provides management expertise and consulting services, essentially.

Ms Harold: Yes.

Mr Cordiano: And you assist in groups or individuals accessing moneys and you do this through banks.

Ms Harold: Yes.

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Mr Cordiano: Okay. You obviously may have made use of the New Ventures program that currently exists.

Ms Harold: Some of our borrowers might have, but we don't. One of the problems we've found with New Ventures is that the borrowers have to have the \$7,500, or whatever, upfront matching.

Mr Cordiano: There's no stipulation as to the amount. It's just that there has to be an equal amount of cash or assets to the amount that's being borrowed.

Ms Harold: Right.

Mr Cordiano: In the north, it's half the amount that's required.

Ms Harold: Okay.

Mr Cordiano: So there is that possibility; if someone wanted to borrow \$1,000, say, and they were in northern Ontario, they would have to put up \$500 or \$500 in assets. You're indicating that you're involved in micro-borrowing, or micro-businesses.

Ms Harold: Yes.

Mr Cordiano: The amount of loans, what would the average loan range from?

Ms Harold: Our loans start at \$500 and in the native communities go to \$3,000 and in the non-native \$5,000, so that's our top. I wouldn't say that anyone in North America really understands how micro-credit works. What you have to do is try it, and so I think you've got to try it. The investment side of it—we haven't found investors, but try it. I'm encouraging; try it. It's worthwhile trying.

Mr Cordiano: I think some of the concerns that you've expressed with respect to, will the banks handle this; in fact, they're showing some hesitation and some reluctance to take up these loans because of precisely what you pointed out. The administrative costs would probably exceed what return there is for them. There isn't the recognition of the overhead that's going to be required and I think there are probably ongoing negotiations with the government over that.

You point out here that with respect to private investors, it will be difficult to have private investors interested in the programs, probably because there won't be much of a return. It's not attractive enough for private investors. I would say to you that those are very valid concerns and most useful to the discussions that we're having because those are the concerns that I would share with you. So far, some of the other items that you've mentioned, size of loan funds and determining eligibility of sponsors, CLFs, again very much a part of what we're dealing with and unanswered questions remain in those areas. But I would say you've touched on some of the most important aspects of the legislation and hopefully we can deal with those when we go to clause-by-clause. I doubt we'll get many changes that are substantial in that regard, but thank you for making those views available to us.

Ms Harold: Thank you. Again, I'd just like to say, consider direct lending. The organizations could do direct lending rather than just collateral. I think that would help a lot.

The Chair: Thank you for appearing today at the committee, a most interesting presentation. I know of your good work in some of my part of the world, in northern Ontario and on my first nations. Thank you.

SHARWOOD AND CO

The Chair: Sharwood and Co, Gordon Sharwood. Good morning. As you know, we have allocated one half-hour for your presentation. I would tell members that we have just distributed a rather large brief.

Mr Gordon R. Sharwood: The appendices are larger than the text, as is usual. I am delighted to be here and make this presentation, because I've been involved in this area of activity for some time. In the first part of my presentation I put some qualifications which might interest you and I've been involved in the banking business and a number of entrepreneurial companies.

Sharwood and Co is an investment bank which basically grows companies. We're in the entrepreneurial financing business and we find equity and debt for small and medium-sized, rapidly growing companies and we've financed over 100 over the past decade. I'm also the founding chairman, as you will see, of the Canadian Association of Family Enterprises, which is a burgeoning organization which assists family companies in dealing with succession problems, some of which involve financing the transfer from one generation to another due to the tax issues.

I'd also point out that I've been involved in issues like this for some time. I was involved with the federal government in examining a reinsurance scheme like the National Housing Act to be applied to small-business and medium-sized-business loans. We actually passed a law, but it's one of those interesting things, which I think this legislation may suffer from, where the law gets passed and it never gets used because the pension funds and life insurance companies went into the market directly, finding the cost of insurance was not worth the losses they were taking. The recent recession might possibly change their minds. I've been involved in advising the Ontario investment fund, and various communities have talked to me about their own initiatives.

I want to make two major points. I'm going to really talk from the summary, which is at the front of the material I've given you. I think I would say, paying great homage to the Calmeadow Foundation which, as you have grasped, is in the micro-lending business, which is a very niche-market kind of business, that I would argue that no market survey I have looked at shows there's a real problem with debt in this country. I've looked at it over and over again. The anecdotes are marvellous, but when you examine the actual cases, you will find that in case after case the person who is complaining about the banks is really asking for the banks to lend equity, which is an oxymoron. You cannot lend equity.

It's true that entrepreneurs don't take corporate finance in school and that the dividing line between debt and equity is a bit of an art and not a science, but the evidence is that over and over again Canadian companies are overleveraged compared with US companies. You'll have that; you see that in the appendices that I've produced here.

RoyNat is an interesting example. They went down to make term loans in the US and they find that all their US customers are less leveraged, they get less out of the banks than Canadian banks. They lend to midsized companies in Canada, as you probably know, and are one of the major factors in the market, with \$2 billion in loans outstanding.

I am going to say that the case is not proven and I have seen no market research that says there should be

any need for any debt assistance, apart from things like the New Ventures loan, which I think is a superb program. I've been a big supporter ever since David MacKinnon introduced it. But otherwise I am not going to spend any time on that. If you want to ask me some more questions about that, I'd be delighted.

I will then turn around to address the so-called equity gap, and I believe there is an equity gap. I deal with it both in some of the material and in the text. The problem I'm having is that I think a guarantee as is proposed for an equity investment is, again, a contradiction in terms. The very word "equity" denotes risk. You're asking the Ontario citizen who puts up money not to take any risk because there's a government guarantee behind it.

I've examined this over a long period. The problem about all these kinds of schemes is that they encourage irresponsibility, just like deposit insurance encourages irresponsibility in small trust companies; they went bankrupt because they made bad loans. I think a guarantee will ensure bad investments, because people will feel they have nothing to lose, so they'll put the money out. If the government wants to guarantee equity, why doesn't it do it directly and put money directly into the scheme rather than sucking in a bunch of citizens to put up \$25,000 or \$10,000 and then put the thing in, collect—the mechanism is mind-boggling.

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I will be prepared to answer more questions, but I've really not treated that in very great depth because I don't know where the scheme came from. I don't believe it's based in reality.

I would now like to turn to the issue of community development, and maybe you might quickly look at page 6 of the presentation, at the bottom of the page. I think that, going back to the previous presentation, one of the things that is an issue for me is the word "ambition." I think government programs have to make a choice as to whether or not they're going to back people who are building world-class enterprises or whether or not they're going to back people to create jobs in micro-enterprises selling to the local economy.

This legislation doesn't make that choice. The federal studies have, and I've been involved with them and they're going to back world-class companies and they're not going to back their community venture programs micro-enterprises. They've made that philosophical decision.

Look at the new business starts at the bottom of page 6. We can't get these statistics in Canada. Nobody keeps them. You ask a community like Windsor or Waterloo or Hamilton who the rapidly growing entrepreneurs in their community are, they have no evidence. It's all anecdotal. "We think that so-and-so is doing pretty well." In the US these communities keep track of their fast-rising stars. We don't. Communities have no

record of business starts. People don't know what's going on in their communities and I've been pushing for them to keep statistics.

The point I'm making is that I think we have to make a decision when we're putting a scheme into place as to whether or not we are going to support owner-managers who are selling to the local community or whether or not we are going to support the rising stars which are going to build world-class companies, and you'll see on page 8 the importance of this.

On the bottom of the page, you will see the average salaries. This is 1987, but I have no reason to believe that these figures are changed in terms of the gap between the amounts paid to small companies and the amount paid to mid-sized companies. What I see in communities is the importance of promoting organic growth from the entrepreneurs in the community and moving them up to be mid-sized companies and larger companies and they will pay more. To me, that is where my priorities lie and what I do as a living, of course, is to build these kinds of companies in world class.

I use the example—I made a speech at Our Local Economy network—of my son. I financed my son to start a restaurant in Spadina village called the Village Idiot which I always say is named after the fellow who backed him. He'll be happy as a clam if he makes sales of \$300,000. At the very same time, I was financing a fellow the same age, 24, and he's in the software business. His first year sales were \$2 million, all export, and he's moved to \$6 million and next year he's going to do \$15 million.

Somebody came up to me after the meeting and said, "Gee, you were hard on your son." I said: "No. One is equally as valid as the other, but the fellow we can take more risks and put more support behind is the fellow who's going to build the world-class company that we win." If my son goes down the tube with his restaurant, he may have a supporter who might help him out, but a lot of small enterprises when they go bankrupt, the entrepreneur, the owner-manager, is on welfare. If you finance a Waterloo computer engineer and he goes bankrupt and he wants to build a \$100-million company, he can probably find another job or start a business again because his self-esteem won't be quite so destroyed. So you have to be careful, I think, in making the distinctions.

Somebody asked me whether or not you had to have a psychiatric test, which is one—and that people do start small businesses and grow them. I can tell you that many of the small business operators, even if you go back to Frank Stronach when he started here, and you just spent half an hour talking to him, you would have known that he would have built a world-class business.

I think, going back to my summary, just to close off, I really summarize in the middle of the page that you need in a community an inventory of rapidly growing

businesses so you can construct that table I have on page 6. You need an infrastructure and this is a very difficult issue. When somebody comes in with a small business and says, "I need some help, some accounting"—and it's a challenge that you might want to put to Larry Zepf this afternoon because I've had numerous debates with him—how do you make the distinction at that stage between whether or not he gets—if he is government-subsidized, the government can't turn anybody away, so it has to help him, the fellow who has a dry-cleaning store, one store, with his accounting and his business plan, as well as the fellow who wants to build a large company. It's interesting that the feds have backed away from that, because they don't want to make that choice. It's difficult for a government to make that choice. We have to think a lot about that.

The Ottawa-Carleton Economic Development Corp, because it's sufficiently funded by the private sector, does make that choice in its inventory. I hope you've seen the Ottawa-Carleton inventory. Their matching service is the best in this province. Alberta has one. It's something that we really should support every community in this province to do.

Then, of course, the venture capital fund; I talked about that.

On the second page of my summary you will see I've talked about some rules. These rules are important. I think you have to have critical mass. I think a fund of half a million dollars or \$350,000 or \$200,000 is crazy. How many investments are you going to put out? Again, it depends on whether or not you're backing the little guys or the big guys. I think it's very important that there be a co-investment rule. There are more cons around when there's money around. I live in the business. I call all my clients maniacs with a vision. Once you accept that they're maniacs trying to make a company grow, you know that they get up to some interesting tricks from time to time in convincing me that I can make the money available to them.

One of the things I think you should be aware of, my view is that most of the people involved in communities are unknowledgeable and naïve about technologies, so they can get conned just as quickly.

The co-investment rule, as I said to the people in Ottawa, the mayor's son may have an inside track, and we want to avoid that at all cost, so a co-investment rule is a good idea. The Federal Business Development Bank does it and I think it's a good idea.

In the text, I talk about eligible business threshold size of investment. Obviously, if you're going to build a fund and put money in, you have to manage the uninvested funds. Who's going to do that? What are the rules? Obviously, Mr Laughren wants it all to be invested temporarily in Ontario government treasury bills pending the investments, but you have to have rules.

I think what I don't see in here is an exit strategy. How do you get the money back? Every venture capitalist, that's the prime thing he's looking at. Is it an IPO, an initial public offering? What is it? Is it redemption of preferred shares? I don't see any discussion of this issue. You put the money out; how do you get it back? That's another reason why you look at it. This is equity. This is not a loan. Shareholders' agreements? This is not discussed anywhere.

As I have said, in all these issues there's no target rate of return. I've discussed that.

Most venture capitalists, and you'll have a chance to ask them this afternoon, say that about a third to a half of the value comes arising out of the after-investment, the monitoring. Who's going to do it? I suggest that you put a senior businessman on the board if this moves ahead in some way, shape or form.

Finally, I talk about in the proposal that I think a properly organized community—Larry Zepf has done a pretty good job of warming people up. He's been pursuing a tax break with the Department of Finance, which I tell him is an exercise in futility, but he persists. He's a stubborn fellow. I give him credit. I think the investors—he's got Mutual Life. In any community, there are large companies and I think those are the kinds of people who should put the money up. In the discussions in Windsor, I've had discussions with them about getting the Chrysler pension fund to put the money in, and in Hamilton you can get Stelco and Dofasco. Those sorts of things can be done and that's the direction I think the money should come from rather than guaranteed investments from small people guaranteed by the province. Those people will be prepared to take the risk.

Mr White: I certainly would defer to other questions as well, but I was quite impressed with your presentation, Mr Sharwood, some of the very issues that I've been involved with in my community in terms of what is it that we're best at doing, what is it that Durham region is best at, where can we best be using our resources? Fortunately, we have something of an economic development committee starting now and it's a secured funding.

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I was very impressed that in the United States there is a wealth of information in regard to the nature of the investment and the growth industries in those various areas. Some of the articles you have in your appendix certainly indicate that if you are a company in this area, these are the areas to go as opposed to everyone should be doing everything.

Certainly a good deal of what a community economic development corporation would be doing would be that very kind of assessment planning inventory, as you mentioned, in the Ottawa-Carleton area. Do we have other, more global experience, a more wide-ranging

experience in Ontario that you're familiar with in terms of that strategizing?

Mr Sharwood: The answer to that—as far as I know, not. Ottawa-Carleton has been going now for some time and it arose out of a peculiarity of the Ottawa community. There's a fellow up there called Denzil Doyle who is a remarkable character, and Michael Coupland and Terry Matthews got to be rich. What happens is they pass the hat around in Ottawa, and they got used to passing the hat around for deals and they fund a lot of software companies, but they've now run out of that money. But they got that together, and of course out of Kanata, and as you know, that's one of the major growth centres.

The unemployment rate is lower in Ottawa than it is in any other major community, and that's not because of the growth of the federal government.

Mr Daigeler: Not so much any more.

Mr Sharwood: Well, it's still better.

Mr Wiseman: There are the 6,000 new jobs they've created going the wrong way.

Mr White: I just want to go further a little bit on that because the issue that Mr Sharwood brings up obviously is that, from a community economic development corporation which might be sponsored partly by the municipality, there may be the follow-through in assists and community loan funds, but of course that community economic development corporation might be sponsoring moves towards other branches of government in terms of venture loans, in terms of other financial institutions. They might be going, in the situations that you suggest, to Innovation Ontario or other arms of government that aren't, of course, under the Ministry of Municipal Affairs.

So I just wanted to suggest that what the legislation does is set in place the opportunity for those community economic development corporations and those planning bodies, as has happened in Burlington and elsewhere to be operative, but where they go isn't necessarily the point in the legislation. All the legislation does with the CLF and CISCs is to say these additional mechanisms, but Innovation Ontario and other areas might be better suited—we don't want to duplicate again what's already been established there—to the kinds of organizations and the kinds of venture capitalists you've described.

Mr Sharwood: Thank goodness we're now getting out of the period, almost, where the major role of the community economic development is what I call industrial development. You buy a park and you try to attract Toyota to come in and put a plant there.

If you read the material, you'll find that organic growth has been the best growth, that spending your time flying around the world, trying to attract major companies is a waste of time—not a total waste of time, but it's misdirected—and the communities that had the

best growth are the ones that have looked at supporting their existing entrepreneurs.

What worries me is what I see out there, that the people who run those organizations, there has to be some kind of—they should be privatized. Ottawa works because Brenda Valois is the most remarkable person and they're very lucky to have her there, but most of what I see in these corporations is run by people who don't know much about what they're doing. They get conned by the entrepreneurs easily, because there are lots of them around, and they're not knowledgeable. That's what worries me; they lead with their chin. It's this knowledge base and how do we make use of that knowledge base?

In this particular document, I suggest that you do have a centralized due diligence process. Due diligence is clearly the key to this kind of thing. It's easy to sort of say, "We'll take a retired Royal Bank manager and put him in charge of the community fund in Windsor," but (a) he's a banker, and bankers are not good venture capitalists. That's why the bank venture capital arms never work. The committee is always the senior bankers who look at things like a credit instead of a venture capital investment.

So those people who are looking at the equity requirements are different than bankers, and it's fine, as I say—you have a man of integrity, obviously, if you've got a retired banker, but he's not going to be able to have the skills to say, as I do with all the guys who sit in my office, "You're a maniac with a vision here; you want to build a company."

If you're going to promote local enterprise and help the people open dry cleaning stores and flower shops on the main street of town, fine, but there are lots of misfires in the business of rapidly growing companies and you've got to accept that you will lose money, that some of them are going to go bankrupt. The history of venture capital is that you get, as I say in the document, one winner, three what we call "living dead" that never are going to go anywhere and your big problem is to get out of them, basically, and one big loser. That's the statistics, and if you aren't doing that, you aren't doing the job. You must accept, just like an insurance company, that you're going to have some deaths.

I don't know how you train community people to do that, to think of things that way. It's a very distinct kind of difference of approach.

Mr Daigeler: Thank you for a great presentation that puts a different perspective on what we have before us, and also for an excellent document. I look forward to reading it with a little bit more leisure.

How did you hear about the committee meetings? Did you see the advertisement or were you contacted?

Mr Sharwood: I was contacted. I think it's fairly widely known that I have some interest in this area.

Mr Daigeler: Okay.

Mr Sharwood: I may say that nobody contacted me from the government bureaucracy, ever.

Mr Daigeler: I've been sitting through these hearings now and have looked at the material. I think the way we have to look at this, and I think that's what the government wants to do, is as a social policy initiative, not an economic policy initiative.

The government probably will argue that this also has an economic impact and so on, but I think primarily I have come to the conclusion that this is an effort, and I see some reason for it, to, I guess, keep people off the welfare rolls—there would be a cost there too—and they'd rather take the chance of investing some money there on the possibility that it might work than simply paying out in other ways. So really it is perhaps not appropriate to apply the economic criteria that you're coming from and that in my opinion, of course, are the only ones that will pull this province out of its economic problem. That is perhaps why the government is limiting the amount of money available for this project to a relatively small amount.

I would be worried if this were the only economic initiative being put forward by the government. In fact, I'm still waiting for others that really fall more in line with what you're saying: "How can we really provide the venture capital for those who will be internationally competitive?" But I think this really goes far beyond as to what this particular initiative tries to achieve, which I think is probably just a social—well, perhaps "just" is the wrong word, but which is really more a social policy initiative than an economic initiative.

Do you care to comment on that?

Mr Sharwood: I have no difficulty with that. I think there's validity to the social lending side. You've heard from Calmeadow, and I was a director of the Federal Business Development Bank for a while. They do a lot of that kind of lending in small towns, and I tried to make them see the same distinction that I saw in this. If you give people money—it's too easy sometimes to give the small businessman money and the returns aren't there if you invest in them. I talk about rate of return in my document. If you invest in a dry cleaning store on the main street of Timmins, you're not going to get a rate of return which is high enough to attract an outside investor.

1200

We do a lot of this kind of thing. I mention, and you might want to talk to, Rein Peterson. He did a study of startups in 12 countries with Joel Shulman, who was a professor at Berkeley about 10 years ago, and 90% of the startup money comes from individuals: Molly money, we call it.

I think if an entrepreneur can't convince his relations or the lawyer in town and the dentist to put money

behind him, then he's not much of an entrepreneur. So you've got to question where you cross the line between—I mean, Windsor had a scheme where if you were on unemployment for six months, they'd give you \$5,000 if you wanted to start a business. I said: "Gee, how many bankruptcies are going to arise out of that? I think it's a highly dangerous thing." They went ahead and did it and they got what they asked. They got a lot of poor people—I mean "poor" in the sense of their mental space, because they didn't succeed in the businesses that they tried. Willing though they may be, they weren't business people.

So this is the issue that you have. You have to be very careful in this micro-lending to not lead people into jobs, into running businesses they don't know how to run. Then they really get dashed in their self-esteem, and that's the part that concerns me most. You do good and you end up doing bad because you've given people money for something they really can't do. Some of that goes on in the venture loans. If you talk to the ODC, they are very conscious of that problem.

Mr David Johnson: If this legislation were to go through exactly as it is here today and if you were to look down the road several years, what in your estimation would be the outcome? For example, what sort of takeup would there be for investors investing in the share corporation?

Mr Sharwood: I think it wouldn't go anywhere. My frank view of this would be a damp squib. It wouldn't go anywhere. There would be very little money go in. You've got some insight into the administrative costs of these small funds—they're huge—from the Calmeadow people, and I'm fully conscious of their activities. There's a huge amount of nursing that goes one around this, and I don't know how much the government wants to subsidize that kind of thing.

It's like the SBDC legislation in this province. I said to Frank Miller, when he conceived that: "This is made for the funeral director and the gas station operator in Wawa to invest in the kitchen table company, because you have to give the money back if you grow." I think what I'm pushing out at this committee is to think about whether or not it's worth while doing this, whether more informal mechanisms might work better, and that there's a lot of social judgement that you're putting in encouraging people to go into business.

Mr David Johnson: Let me skip to that sort of line, then, because I'm not really sure—you've raised a lot of problems and, hearing you, I think it's wonderful advice you're giving us, but what would you do with this? I mean, it sounds like you scrap it and start all over again. Would you?

Mr Sharwood: Yes, I would. I think there's very little left in this scheme. I don't know where it came from, who did the studies. I have no idea. I have been unable to get any copies of any studies which led them

to the conclusion that this would be a useful instrument.

Mr David Johnson: You're talking both from the share corporation and the loan fund, the whole thing?

Mr Sharwood: If you take away the guarantee, I think you could turn the share corporation into something useful. I don't see the debt side.

Mr David Johnson: If people did come forward and invest, notwithstanding that you feel that they won't—

Mr Sharwood: Well, I think there will be people—

Mr David Johnson: You'd get some, sure.

Mr Sharwood: Yes, sure.

Mr David Johnson: Then with the mechanisms that are in place right now, what sort of rate of success would you expect in terms of the investments that would be put into whatever kind of businesses they're going to invest in? What sort of success would you see and what sort of—

Mr Sharwood: I think it's hard to predict. One of the reasons is that if you look at all these list of questions that I've raised about minimum size and diversity, they're not answered in the legislation.

Mr David Johnson: My guess is it's going to be up to the local board to decide that. So you can pull it out of the air, whatever they—so from your experience, what will happen?

Mr Sharwood: We've had lots of history of these sorts of things having very bad records.

Mr David Johnson: And the rate of return on the investment would be?

Mr Sharwood: Very low.

Mr David Johnson: Very low. And in terms of the government guarantees, there's a \$20-million guarantee in this whole thing. Would you expect that this would have to be invoked?

Mr Sharwood: Yes.

Mr David Johnson: You mentioned that you have maniacs on a mission or something—

Mr Sharwood: With a vision. It may be the same thing as a mission. Who knows?

Mr David Johnson: What sort of cons would you expect them to try to pull? What sort of devious—or would it just be being overly optimistic?

Mr Sharwood: There has recently been a major scam pulled on the rich people in London, Ontario, which resulted in a senior partner of Coopers and Lybrand being removed from his job. They all got conned by a guy who said he had a hedge fund and they kept putting money in. It was what we in the business call a Ponzi scheme; it was using the new money to pay returns on the old money.

Mr David Johnson: You're talking about illegal—

Mr Sharwood: These are sophisticated people with Coopers and Lybrand in there. The names of the people

who were conned out of \$60 million are a Who's Who of London, and you would never think that they'd get conned into that kind of thing.

Mr Hope: That was a perception, though.

Mr Sharwood: You can have that going on with much less sophisticated people.

Mr Hope: Instead of indicating Who's Who, why not just the normal individuals? I understand where you're coming from, but I think you might be carrying a personal view here.

The Chair: Thank you, Mr Sharwood, for appearing before us. You've given the committee a lot to think about in the clause-by-clause deliberations next week.

The committee recessed from 1207 to 1412.

The Chair: The committee will come to order.

Mr Grandmaître: I would like to ask the parliamentary assistant a question. Can you tell me who initiated this program? Was it the Minister of Municipal Affairs or was it the Ministry of Finance people? Was it a combination? Who initiated this program? I'll tell you why I'm asking this question after.

Mr White: I believe it was the government of Ontario that initiated the program, but if you're asking which specific ministry has been involved, I would suggest to you that—

Mr Grandmaître: I know it's the government of Ontario.

Mr White: —both the Ministry of Economic Development and Trade and the Ministry of Municipal Affairs have been involved.

Mr David Johnson: Nobody wants to 'fess up.

Mr Grandmaître: Maybe my second question will be out of order, Mr Chair, but I don't want to give a hint. I've just received a news release from Frances Lankin—I suppose everybody received a copy—

Mr Norm Jamison (Norfolk): No. Can I read that?

Mr Grandmaître: —creating the Ontario Investment Service. Are you aware of this?

Mr White: Of the news release or the Ontario Investment Service?

Mr Grandmaître: Both. Apparently this Ontario Investment Service was, let's say, invented or created by the Premier's Council on Economic Renewal's task force on investment. Is it the Premier's council task force on investment that created Bill 40 or this program? Is this a fair question? I think so.

Mr White: Bill 40 was clearly something that was spelled out by the Ministry of Municipal Affairs. But the issue of the Premier's task force and the existence of economic development initiatives in both of the ministries I've described I think have some long standing. I'd ask Ms Melnyk to comment on that.

Ms Tania Melnyk: The community economic

development initiative is a priority, I believe a signature priority, of this government. The involvement of Municipal Affairs in this particular initiative comes very much from a community development orientation. We have formulated many of the initiatives around the issue of bringing the municipality closer to the community table and involving the municipal sector more closely with the various community groups in the various areas. The concept covers not only geographic communities but also what we call communities of interest, so that there is an opportunity for some of these initiatives to be accessed not only by municipalities but by community groups, as we heard yesterday, like the Kensington Market Review Committee, which obviously has some very real priorities that it wants to get off the ground.

Mr Grandmaître: Is it by the task force on investment?

Ms Melnyk: It didn't come from that orientation, as far as I know. There has been interest in doing community-based economic development for a while, and this was built up. The former minister had a very active interest in it. The current minister had a very active interest—he still has—in economic development. You probably are aware that there is a now an interministerial approach to this whole initiative, and our piece of it comes from bringing the municipal sector to the table.

Mr Grandmaître: I'm not trying to compare the Ontario Investment Service to Bill 40, because it's not the same thing. What I'm trying to get out of staff and also the parliamentary assistant is what coordination there is when this government talks about investment. I realize that Municipal Affairs has an interest—municipal communities and so and so forth—but what's the umbrella? Is it the Premier's council task force on investment or everybody has a dream?

Ms Melnyk: I think it's important to distinguish between broad industrial strategy and community-based economic development. There is a difference.

Mr Grandmaître: Oh, yes.

Ms Melnyk: I think the investment strategy is in the broad industrial area.

Mr Grandmaître: But there's no godfather to this investment program?

Ms Melnyk: I would presume it's with the Ministry of Economic Development and Trade.

Mr White: I would just suggest that the overall vision of which this a part, and a significant part, in terms of providing legislative mechanisms, comes not from one ministry alone but as a significant part of the government's vision. I'm sure Mr Jamison can comment on that as well, given his lengthy experience.

Mr Jamison: The question really deals with a number of issues. The Premier's councils, which were around during your party's tenure in government, were there to advise and to express their concerns and their

ideas about direction in general terms. Where they sat together for any period of time to come up with a consensus, that would be put forward to government, and government would consider those issues put forward by the Premier's councils. There was some good work done with certain Premier's councils during the tenure of the Liberals and there's been good work done during our tenure in that area. When those ideas are brought forward, a lead ministry is chosen to head a certain thrust on a subject pertaining to legislation or, for that matter, regulations. That ministry takes the lead, but that doesn't mean it is the only ministry to be involved in developing the legislation in practical terms to go forward in what we hope will be a very workable way to initiate what could be thoughts coming from the Premier's council, which advises the Premier directly, as you all know.

Mr Grandmaître: That's my question.

Mr Jamison: The process then would go from those ministries, as you're well aware, being a past minister in the previous government, to cabinet for consideration and dialogue and discussion.

Mr Grandmaître: I realize that.

Mr Jamison: I understand that is the process, involving some caucus consideration along the way.

Mr Grandmaître: I can understand this process, but my original question was, was the Premier's council task force on investment involved in—not the formulation of Bill 40, but was the idea born at that level?

Ms Melnyk: It wasn't perhaps born at that level, but

I have been involved with the Premier's council. I have been serving on one of their working groups, so I have been involved with that.

Mr Grandmaître: Good.

Ms Melnyk: I've made them aware of some of the thinking coming from our side of the equation.

Mr Grandmaître: So you were involved with the Premier's task force?

Ms Melnyk: Yes.

Mr Grandmaître: This program was not initiated, though, by the task force?

Ms Melnyk: They made a number of recommendations to government that have been acted upon, primarily in the Ministry of Economic Development and Trade, one of which is, I believe, the investment service. I'm not aware of this initiative coming from the Premier's council as a specific recommendation.

Mr Grandmaître: I hope you can see where I'm coming from; I'm trying to find out who's doing what to whom and who's in charge.

Mr George Mammoliti (Yorkview): Why?

Mr Grandmaître: I think it's important, because I want to know the real direction of the government.

The Chair: Any further technical questions that should not wait till clause-by-clause consideration? If not, I will advise the committee that unfortunately our list of presenters has evaporated or cancelled out for this afternoon, so we will see everyone tomorrow at 10 am.

The committee adjourned at 1423.

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***White, Drummond** (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

 Cordiano, Joseph (Lawrence L) for Mr Sorbara

 Haeck, Christel (St Catharines-Brock ND) for Mr Morrow

 Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

 Jackson, Cameron (Burlington South/-Sud PC) for Mr Arnott

 Jamison, Norm (Norfolk ND) for Mr Fletcher

 Wiseman, Jim (Durham West/-Ouest ND) for Mr Wessenger

Also taking part / Autres participants et participantes:

 Ministry of Municipal Affairs:

 Melnik, Tania M., director, community development branch

 White, Drummond, parliamentary assistant to the minister

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Thursday 26 August 1993

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Jeudi 26 août 1993

Standing committee on
general government

Community Economic
Development Act, 1993



Comité permanent des
affaires gouvernementales

Loi de 1993 sur le développement
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 26 August 1993

The committee met at 1007 in the Humber Room, Macdonald Block, Toronto.

COMMUNITY ECONOMIC DEVELOPMENT ACT, 1993

LOI DE 1993 SUR LE DÉVELOPPEMENT
ÉCONOMIQUE COMMUNAUTAIRE

Consideration of Bill 40, An Act to stimulate Economic Development through the Creation of Community Economic Development Corporations and through certain amendments to the Education Act, the Municipal Act, the Planning Act and the Parkway Belt Planning and Development Act / Loi visant à stimuler le développement économique grâce à la création de sociétés de développement économique communautaire et à certaines modifications apportées à la Loi sur l'éducation, à la Loi sur les municipalités, à la Loi sur l'aménagement du territoire et à la Loi sur la planification et l'aménagement d'une ceinture de promenade.

The Chair (Mr Mike Brown): The standing committee on general government will come to order. The business of the committee today is to deal with Bill 40, the Community Economic Development Act.

The first thing I would like to do is to bring to the attention of members that we do have an interim summary from our researcher, Anne Anderson. You should all have one before you so you will have an opportunity to study that over the weekend before we start with further public input next Tuesday.

CITY OF THUNDER BAY

The Chair: Our first deputation this morning is from the mayor of the fine city of Thunder Bay, David Hamilton.

I would point out to members that this is not exactly the same as the agenda before you. The first presentation this morning has indicated to the clerk that it will not be appearing.

Good morning, your worship. We've allocated one half-hour for your presentation. We always appreciate some time to ask some questions of clarification and otherwise following your formal presentation. You may introduce yourself and your colleague for the purposes of Hansard, and begin.

Mr David Hamilton: Thank you very much, and good morning, Mr Chairman, members of the committee, staff. With me today is Dick Charbonneau, general manager of the economic development corporation in the city of Thunder Bay, the founding manager and the man who's been in charge of the organization for the 10 years that it has existed.

We have a presentation formally that we'd like to read to you this morning. We have handed the proper

copies to the clerk and they've been distributed so you can follow through it. We're quite open to questions after the presentation.

Normally, both of us would not have been able to travel to Toronto for this important committee meeting on a very important initiative as we struggle to develop the economy of Ontario, but I was at the annual meeting of the Association of Municipalities of Ontario in Hamilton, which I'm sure many of you are aware of or dropped by to be a part of; over 750 delegates there.

Mr Charbonneau has been invited to assist on a committee called Clearing the Path, which is being held under Minister Frances Lankin. We're not sure what path Dick's going to be clearing, but we'll find out as soon as he's been at the meeting. So we're both happy to be in Toronto and we're glad to be here this morning.

Good morning. My name is David Hamilton. On behalf of my city council colleagues I would like to thank the standing committee on general government for this opportunity to discuss the proposed Bill 40, the Community Economic Development Act, 1993. As a representative of the local or community level of government in this province, I feel that it is essential that municipalities in Ontario have meaningful input into this proposed new government initiative.

While I am not aware of how many of my local government colleagues will be sharing this opportunity to meet with the standing committee, I would mention that I propose to circulate copies of my presentation to my fellow mayors and reeves throughout northwestern Ontario. I am sure the committee would also welcome their comments as well.

These are challenging times for governments at all levels. The recent sharp and prolonged recession compounded with the negative effects of the massive economic restructuring already under way in our province. We are all familiar with the scope of the problems: record levels of unemployment, continuing growth in social assistance program costs, shrinking revenues and huge deficits.

At the municipal level, our historical record of fiscal prudence has apparently prompted senior governments to shift more and more of their financial problems to the local property taxpayer: by downloading programs; by reducing long-established formulas for grants and contributions; by imposing new and expensive regulatory measures—some notable examples include waste management and employment equity; by imposing increased operating costs through new tax measures; and by reducing net business and net disposable personal

incomes through increased taxation and new or increased user charges.

With this ongoing restructuring of our economy and the so-called jobless recovery, all levels of government have finally discovered the harsh limits on our ability to stimulate economic growth through traditional monetary or fiscal policy. Our conventional tools are simply inadequate for the job at hand. We have learned that we can't spend our way to prosperity. We can't tackle the problems of today or pursue the goals of tomorrow with the policies and programs of yesterday.

More importantly, all levels of government are becoming painfully aware that our shared economic goals of increased basic job creation or retention, as well as the assimilation of new technology, must be market-driven and led by the private sector. While the public sector can clear the path and support or facilitate new private investment, ultimately governments simply lack the resources to generate or sustain new long-term employment creation or new technological development at the scale imposed by the new economic realities.

Governments must become more innovative to stimulate economic growth. The public sector can become a partner in nurturing a new entrepreneurial culture and revitalizing our business environment. We can and must make it easier to do business, we can and must make our province and our communities more attractive to investors, and we can and must improve our efficiency in dealing with the private sector.

Finally, in my opinion, governments at all levels are not capable of leading the way to the new economic order. This can only be achieved by the risk-takers and the stakeholders emerging within or attracted to our communities.

An overview of the new act: The proposed new Community Economic Development Act is described as "An Act to stimulate Economic Development through the Creation of Community Economic Development Corporations and through certain amendments to the Education Act, the Municipal Act, the Planning Act and the Parkway Belt Planning and Development Act."

As I understand the recent statement by the Honourable Frances Lankin, Minister of Economic Development and Trade, the new act provides a vehicle to enable municipalities to establish community development corporations and also provides a legislative framework for the financing components of the new Jobs Ontario Community Action initiative. Specifically, community economic development corporations can sponsor two new financial tools: community investment share corporations and community loan fund corporations.

The act indicates that "The objects of these corporations are to provide capital to new or expanding Ontario businesses," and that, "The province guarantees

to eligible investors the purchase price of certain securities issued by community economic development corporations in the event of the failure of any of them to redeem the securities."

Under the heading of Jobs Ontario Community Action, this new legislation, again, according to Minister Lankin: "Aims to give local communities the resources and tools they need to undertake economic renewal initiatives. It will empower communities and support job creation by encouraging economic development activities on the part of those who best understand what is needed—the communities themselves."

Minister Lankin also stated that community economic development: "Will stimulate investment...by helping communities to help themselves...will foster self-reliance in communities...will create greater cooperation...will support new partnerships," and, "will also allow new groups of people to play a part in community economic development."

As a mayor, I can only applaud Minister Lankin's apparent commitment to "put communities in control," and "to decide the economic priorities they want funded by the provincial government—not the other way around."

This apparent recognition of the role of government in the economic development process is long overdue. Ten years ago, our submission to the Macdonald Royal Commission stated, "Municipalities are the basic building blocks of Canadian democracy." We suggested that local governments are the most accountable and the most scrutinized. We posed the question: Who knows first what is best for the future of their own community if not the local residents? It is the local property owner, the local business person and the average worker who all have the greatest stake in the future of their own community.

Apparently, the new act supports the principle of local decision-making. However, there is one very serious flaw in the proposed approach: Minister Lankin has stated that "All partners must be involved in making economic development decisions." The backgrounder also states that "CDC directors will be chosen by the membership, which could include local government, community groups, labour, business, education institutions, cultural groups, credit unions, cooperatives, equity groups and other interested citizens."

Although the new act claims to support local empowerment, the indication that the government of Ontario will regulate who may or may not participate and who may or may not be represented is an apparent contradiction. Frankly, if the basic intent of this act is in fact to put communities in control, then I submit that participation in forming and operating any community development corporation should be left entirely in the hands of the community.

Perhaps the committee is not fully aware of the nature or scope of community economic development activities already well under way in this province. Our city created its economic development corporation almost a decade ago. Most of the various tasks which are stated in the background, which accompanied Minister Lankin's statement of June 1, are already a key part of our own EDC's role in local or community economic development.

The operation of our local economic development corporation is supervised by a volunteer board of directors that represents our local business community, labour, education and local government. I would note that the private sector representation forms a majority of the board. Anyone in our community has ample opportunity to participate by seeking a nomination to the board through any one of several means.

Obviously, our community was capable of deciding this aspect of the local development process. With broad-based community input, our elected council created this municipal corporation and each year confirms the appointment of various volunteers who have expressed their willingness to serve and offer our community the benefit of their own particular experience and expertise.

In Thunder Bay, we were able to establish this form of community development corporation without the benefit of the proposed legislation. Many other Ontario communities have established similar organizations or pursue their own local economic strategies through specialized municipal departments, locally appointed development commissions or other mechanisms.

My point is that if Ontario wishes to become globally competitive, we must dedicate ourselves to action, we must clearly identify our specific goals and we must fully utilize all our proven expertise available in our communities to pursue those goals. We must develop a clear, specific and shared agenda which is practical and achievable.

1020

Yes, we must listen to all members of our communities who are interested in local economic development, but someone or some group within the community must be given the responsibility to translate talk into action. When it is time to implement our new strategies, we must select those who are best qualified and most experienced to make our goals a reality. If we are to succeed, then this version of the merit principle is essential. Give us more tools, not more rules.

Our city is also committed to developing a new community-based economic strategy. This process, called Let's Talk Thunder Bay, began late last year and is well under way in its consultative phase through an extensive series of sectoral meetings open to our entire community. I am hopeful that the government of Ontario will join us in supporting this initiative.

Let's Talk Thunder Bay—by the way, I wear the badge, both Dick and I. We've spent several months in our community talking about our very future. We divided the city up into 11 sectoral groups. Each sectoral group has been commissioned to hold six town hall meetings over a six-month period, 60 meetings in 11 sectors, and it is open to anybody in the community who wants to talk about our future in 11 defined areas that we feel can generate potential economic openings in our community. So we are in the middle of a very broadly based consultative process in our city already.

Perhaps this committee is not fully aware of the depth of local economic development in Ontario. When our city recently hosted the summer conference of the Economic Development Council of Ontario, EDCO, I had the pleasure of meeting people who are definitely on the front lines. EDCO alone represents development professions in more than 200 Ontario municipalities.

I should point out that, like many other Ontario municipalities, our city has already formed a variety of partnerships in the local economic development field. In fact, our local EDC board recently formed a special committee to improve the level of coordination and cooperation in local development activities.

Some of the current development partners in our city include our local community ventures committee, called Thunder Bay Ventures, and its business development centre, the enterprise centre at our local community college, the small business advisory service at our university, our centre for entrepreneurship, our local port authority, our local training committees—our new OTAB is still pending—the various committees and task forces supported by our chamber of commerce, our regional marketplace office, our local government purchasing consortium, local representation on the Fednor Advisory Board and on the boards of the NODC and the Heritage Fund Corporation. The list goes on and on.

Perhaps, before proceeding with the final reading of this act, the Minister of Municipal Affairs or appropriate staff might wish to investigate and review the recent history of local or community-based economic development activities in this province and share this information with the committee. The phrase "reinventing the wheel" comes to mind.

In terms of the suggestion that a pilot project to test the community development corporation concept is needed, I would emphasize that most Ontario communities already have numerous and sufficient mechanisms in place. More new organizations should not be the priority; the first priority should be concrete measures to stimulate our local economies and make us more competitive.

Community investment share corporations: I would like to move on to discuss the community financing component of the proposed legislation. One of the two

new financial vehicles proposed is the Community Investment Share Corporation or CISC. These new venture capital corporations are intended to be for profit and to raise equity funding of up to \$500,000 to purchase shares in new or expanding Ontario businesses.

As I understand it, the principal amount of value of shares to be purchased by local citizens is to be guaranteed by the province, which has allocated some \$20 million for such CISC guarantees. The province would also provide startup funding as well as technical assistance to sponsors in unspecified amounts.

According to Minister Philip's backgrounder, "The province expects that 40 community investment share corporations will become operational over the next five years." The proposed CISCs would be limited to a minority position in terms of the equity capital invested in a growing company and in terms of voting control, not unlike the previous small business development corporations program which was terminated by the present government.

A reasonable estimate of the leverage factor suggests that the proposed allocation of \$20 million over the next five years might in turn stimulate new private sector investment of \$50 million, or \$10 million per year. In view of the scope of new investment needed in our province, this estimate would appear to be less than a drop in the bucket.

Although we are waiting for the detailed program guidelines, I understand that the CISCs can be sponsored by municipalities, alone or in groups, or by so-called communities of interest, as yet undefined, which would in turn be eligible for 50% startup grants to a maximum of \$15,000.

I understand that any direct investments of more than \$150,000 would require the approval of the Ontario Development Corp, the Northern Ontario Development Corp in our region. Any investments of more than \$350,000 would require ODC and NODC board approval. Again, so much for putting communities in control.

Obviously, the issue of operating costs, particularly in view of the detailed reporting requirements set out under the proposed act, is a real concern. Since some form of legal incorporation and annual financial reports are required, my initial reaction would be, who is going to pay for this?

The backgrounder also describes the rather extensive documentation which must be in place before an approval to issue shares is granted. The documentation includes a business plan for the proposed investment and an indication that the investment meets viable business criteria. Again, we ask, who is going to pay for this?

Clearly, an investment fund of only \$500,000 might, at best, generate an annual return on investment of perhaps \$50,000 prior to taxes payable. I seriously

doubt if even the most optimistic estimate of the level of return would be sufficient to cover basic administration costs while still paying some net dividend to the shareholders. I emphasize that the proposed CISCs are intended to be for profit but, obviously, very little profit should be expected.

To put this proposal in perspective, a one-time venture capital fund of \$500,000 might stimulate a handful of small manufacturing or destination tourism projects which might have a significant economic benefit in relatively small communities. However, in practical terms, our recent experience has shown that actual capitalization rates average about \$60,000 per new job created in both the light manufacturing sector—for example, electronics assembly—or in destination tourism, perhaps a destination resort hotel.

At these average rates and assuming a two-to-one leverage factor—for example, the CISC providing one third of the capital required—each proposed CISC might generate or support the creation of only 25 new jobs. This anticipated level of community economic benefit would at the very least appear to be a rather inefficient use of volunteer resources.

It has been suggested that these CISCs might be administered by existing business development centres which have been established under the federally funded Community Futures program. At present, existing BDCs manage community loan funds supplied entirely by the federal Minister of Human Resources and Labour, formerly Employment and Immigration. This suggestion poses some interesting questions in terms of federal-provincial cooperation.

Finally, since no rate of return is guaranteed, the community investors who purchase shares in one of the CISCs assume almost all the risk. They are guaranteed the original amount of their principal in the event of default. I suppose their anticipated return on investment might be limited to knowing their capital remained in their own community and perhaps did some good.

I would now move to the other proposed new financial vehicle, the community loan fund or CLF. These funds are said to be intended to support the startup of micro-enterprises, the latest term for very small new businesses, and would provide ongoing guidance and assistance. The boards of directors for these loan funds will have broad community representation. I would assume this might include local banking or accounting community representation.

Each CLF would be non-profit and the actual money would be raised by selling notes which would fund an investment guarantee pool through deposits with local financial institutions which would agree to work with the CLF board. Each guarantee of a loan would be limited to \$15,000.

Under the proposed act, the province would guarantee

the principal on the investment up to \$10 million or, in other words, based on the assumption that 35 CLFs will emerge during the coming five years, the province would guarantee an average of up to \$286,000 per each individual CLF.

It has been suggested that the province may provide startup and operating assistance for each fund on a declining basis for five years beginning at \$60,000. A practical estimate of the costs of supporting some 35 CLFs over an average five-year lifespan suggests each CLF might expect about \$180,000 in direct provincial support for a total program cost of about \$6.3 million, in addition to covering any provincially guaranteed losses.

It is also suggested that community loan funds would cover their operating costs from three sources of income: community contributions, including municipal donations; the above-noted operating grants from the province; and any interest earned on their capital pools or from guarantee fees paid by borrowers.

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While this is an interesting concept, frankly I see very little difference between the province's existing New Ventures program other than some degree of community involvement in establishing and managing the CLF. Under New Ventures, a new entrepreneur can borrow up to \$15,000 from any participating financial institution, provided he or she has cash equity of \$15,000, or only \$7,500 in eastern or northern Ontario. The province guarantees the loans and only the interest must be paid during the first year.

Since most participating banks obviously draw their loan capital from the community, the New Ventures program might be viewed as a community loan fund without all the administrative expense and paperwork.

One of my concerns is that each community loan fund must act as a lender of last resort, a term which was formerly applied to the Federal Business Development Bank. We can all appreciate the level of risk assumed by lending at the margin.

Another concern is that the applicant or client would not be required to produce any conventional security whatsoever. This aspect of the concept assumes that the individual can be a successful entrepreneur without having any financial commitment to a project. While the concept of character collateral appears similar to the old concept of sweat equity, there is no suggestion that CLF clients would have to invest even their own time in making a project successful.

Finally, since CLF loans would range from \$500 to \$15,000 each, one practical concern is that very soon loan applications could flood the system and overwhelm the administrative capacity of the CLF by incurring excessive operating costs.

Perhaps the existing New Ventures program should

be reviewed and amended with some of the overall goals in mind, rather than creating yet another new program vehicle. It is possible that the present banking participants in the New Ventures program might reconsider their commitments of administrative time if asked to participate in another similar program.

Although I'm sure that our banks would appreciate the 100% provincial guarantee, I'm equally sure they would look carefully at their own administrative costs, particularly if they are dealing with a client who has been formally rejected for a conventional loan.

In order to sound a positive note, I would now refer to one other aspect of the proposed act, the introduction of several significant changes to the Municipal Act. These proposed changes should be of particular interest to all local governments in Ontario.

As the head of an elected municipal council, I would emphasize that any new measures to make the Municipal Act more flexible are certainly welcome and I would say, after the AMO meeting, more than welcome by just about everybody, without a resolution required.

Specifically, I would refer to the proposed section 210.1, which would permit municipalities to enter into an agreement with the private sector to help finance public infrastructure and permit the appropriate property tax exemptions.

I would also like to record my support for the proposed changes to section 111, the present prohibition on bonusing, whereby, as proposed under section 112, the council of any municipality may incorporate "community economic development corporations" and provide financial and other assistance, including cash grants or loans, contributions or loans of real property and the provision of technical support by providing the services of municipal employees.

While most Ontario municipalities already provide direct funding for local economic development activities, these proposed changes may serve to clarify our present roles and administrative agreements. In particular, the indication that community economic development corporations would not be deemed to be local boards under the Municipal Conflict of Interest Act may be helpful.

Also, the proposed act provides for amendments to the Education Act to permit municipalities, hospitals, universities and colleges to enter into agreements, including those which would involve the joint investment of money. Again, these proposed changes may be helpful. I should reiterate that our city is already a partner in a local public sector purchasing consortium which presently generates substantial annual savings for the city and other participants, including the local school boards, hospitals and post-secondary institutions.

In reviewing the recent remarks by the Honourable Frances Lankin, I noted that the Jobs Ontario Capital

program created or maintained over 8,000 jobs during the last fiscal year. Minister Lankin also announced that Jobs Ontario Capital will invest \$700 million in fiscal 1993-94, creating or maintaining 12,000 jobs.

In these difficult financial times, I would draw the committee's attention to the fact that this proposed investment is costing Ontario approximately \$58,300 per job. By way of comparison, our ongoing local development effort in Thunder Bay has supported new investments exceeding \$112 million and the creation of more than 2,500 net direct new jobs over the past nine years at an average municipal cost of \$1,142 per job. During the same period, our local EDC was able to help approximately 111 clients obtain federal and provincial incentives totalling more than \$20 million, for an average incentive of about \$8,000 per direct job. Clearly, these figures suggest that local economic development programs are highly cost-effective.

The last page, supporting information, I would like to ask Dick Charbonneau if he would read this as well. It was added last night and it's something I concur with.

Mr Dick Charbonneau: For members of the committee, we thought that some recent local experience of ours in Thunder Bay might be of interest to the committee.

During the 1992 calendar year, our local EDC assisted some 23 clients in obtaining either or both federal or provincial financial incentives. For example, seven of our clients received \$450,000 in FedNor assistance, of which almost \$300,000 was non-repayable. These non-repayable federal contributions supported the creation of 25 direct new jobs in the manufacturing sector at an average cost to the federal government of \$12,300. At the same time, our EDC helped seven clients obtain forgivable loans totalling \$254,000 from the NorFund program element of the Northern Ontario Heritage Fund Corp. These non-repayable provincial incentives supported 19 new jobs at an average cost of less than \$13,400 per job.

The government of Ontario, through the Northern Ontario Development Corp, also provided secured term loans or loan guarantees to four of our clients during 1992, a total of approximately \$900,000 in support which helped to generate 31 new manufacturing jobs at an average cost of about \$29,000. I reiterate that all of the NODC assistance is fully repayable with interest. So the province's actual costs may include some forgone interest, or there is obviously always the risk of default which might require honouring the guarantee. However, the success rates are impressively high.

Finally, we had seven EDC clients who qualified for the New Ventures loan program, and they of course received the provincial guarantee of up to \$15,000. The average cost of that program was \$11,800 per job. Again, the province's actual costs for these guarantees are limited only to their administration and to potential

defaults, because most of the day-to-day work of the program is handled by local development agencies or by participating conventional lenders.

The point is that these programs are all working fairly well and should all be recognized and reinforced before new mechanisms are put in place.

Our community is not alone in Ontario in competing for new investment with adjacent jurisdictions, specifically other Canadian provinces and of course various American states. Even with the proposed changes to the Municipal Act, Ontario municipalities are severely restricted in terms of available local development financing tools when compared to nearby US city and county governments. I would refer specifically to such tools as industrial revenue bonds, which are tax-exempt in many states, or to tax increment bonds, which are a relatively new vehicle that local governments can use to finance onsite public infrastructure improvements needed to attract new industries or revitalize existing industrial sites. Neither of these two programs involves any real cost to government, since they support new private investment which would not otherwise proceed. At the same time, neither of the programs requires any form of government guarantees or risk of loss.

We felt that rather than starve existing programs which are functioning fairly well, perhaps there should be some look at least at using tools that have proven merit.

The Chair: Thank you very much for a very comprehensive brief. Mr Grandmaître.

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Mr Bernard Grandmaître (Ottawa East): First, Mr Mayor and Mr Charbonneau, I must congratulate your city for doing such a great job. It's very seldom that you come across cities like yours doing so much. I realize you are sometimes at a disadvantage because you're away from Toronto, being the central core in the province of Ontario. We realize that it's difficult for you.

So what you're telling the members of this committee this morning is: "No, thanks. We're not interested in this program. Ours is much better, more comprehensive and less costly to taxpayers." Is this the message that you're delivering this morning?

Mr Hamilton: First of all, thank you for the complimentary remarks. There was quite a bit of last-minute effort put into meeting the fax confirmation of August 18 to be here today, but we have a lot of these issues that we talk about at the EDC board constantly, so it was a matter of pulling them all together and putting them in the report.

I guess the overriding message that we're saying is not, "No, thanks." We're very happy that the committee and the government are reviewing economic development activities and focusing on the word "community"

economic development activities. I translate that, as a mayor of a local community, as using and recognizing local government as a form of government that should be delivering. But I guess in general what we're saying is that before we start announcing any new programs, some of which we've gone into in a lot of detail here for your consideration, before we get into any new programs that may be perhaps long on rhetoric and short on dollars, let's make sure that what we have already is working well and is properly funded. If it's working well, fine; make sure it's funded properly. If it's not, get rid of it. Obviously, we all have a long way to go in the entire country, in the province and in each municipality in getting our costs of government down.

Also, we worry about the concept of this program being considered community and yet we find that already there's open discussion about the types of groups that should sit on something that we would argue we have been doing very successfully and unchallenged by the residents of Thunder Bay for 10 years. They have been paying a considerable amount of money to run the economic development corporation. Mr Charbonneau's tenure has been throughout the entire existence of it. We've laid out the successes in numbers, facts, dollars and figures; it's all verifiable. So if you're telling us that we are going to be allowed to make decisions and then all of a sudden you're telling us the types of individuals who will be sitting in on this group when we've already got a track record that I think speaks for itself this morning, ladies and gentlemen, we become nervous.

So we're happy that the philosophy and the opportunity are there, but we want you to take another look at the existing programs that are in place and the expected actual outcomes of these new ones you're announcing before we see you committed to more programs. We would love to work more openly and more flexibly at the local level.

Mr Hans Daigeler (Nepean): Thank you very much for, frankly, I think, a very excellent analysis of what this is all about, and I will have an opportunity to use this when we discuss this matter in the House because I think you make some excellent points.

To me, what this really boils down to is that you understand "community" in the way I do, but not, I think, in the way the NDP does. I have come to believe that, really, the NDP has its own terminology and you have to understand; you almost need a dictionary. "Community" is one of those words that means something else, I think, for the government, and the NDP in particular, than for us.

Mr George Mammoliti (Yorkview): You got that right.

Mr Daigeler: Precisely. And I think the meaning of "community" in this case, and this is what's underlying this bill—community are all those people who could not

get funding for business development unless it's guaranteed by the government.

I think, as I indicated earlier, there's perhaps a legitimate need to provide these people with some chance in life. I don't have an argument with that on the government side. But clearly one must recognize that that is not what you, I think, are thinking of. I think there's limited room for this, to help people who otherwise would not have any access to an opportunity, give them a chance as well.

But when you, and I think when most of us, talk about community economic development, it's something else. It's a chance to try and give anybody who's out there with the drive—help them to succeed. Now, I'm just wondering whether you, after having looked at all this, would agree with me that really what we're talking about here are two different kettles of fish and that both have their own place.

Mr Grandmaître: Well, I have a good question.

The Chair: I'm sure there are a lot of good questions, but we have a limited time.

Mr Hamilton: I respect the partisan nature of the provincial Legislature, but I will decline to participate. Municipal politics allows me to exempt myself from that publicly but not personally.

Mr Randy R. Hope (Chatham-Kent): There's no partisanship in municipal politics, is there?

Mr Cameron Jackson (Burlington South): You don't have a cabinet minister any more in your town. You're fine.

Interjections.

Mr Hamilton: Other than saying I also go to church, we'll leave that alone.

I think your question revolved around our dissenting concern about the participants and the community groups that would be almost commanded to be a part of the infrastructure of these groups and organizations. Is that—I'm just trying to clarify.

The Chair: We'll let Mr Johnson clarify.

Mr David Johnson (Don Mills): I'm not going touch that. I don't know what—I think there's some philosophy going back and forth.

Mr Hamilton: I don't want to get into a debate about parties here.

Mr David Johnson: All right. Let me lead you down a different tack then. I too—

Mr Mammoliti: Bring us back down to earth, will you? What, you're not going to ask any questions?

Mr David Johnson: I too would like to compliment the city of Thunder Bay. Having been involved in municipal life myself up until very recently, it's very interesting to see the initiatives in other cities. I must compliment you not only in terms of the action in the city but on a very analytical report.

There are some serious concerns that are raised within this report. If you were to look into your crystal ball, looking at the share corporations, for example, you've made the statement that CISCs are intended to be for-profit but obviously very little profit should be expected because of the various points that you've raised. What sort of takeup do you think there would be in the Thunder Bay area through the CISCs, and through the loan funds too, where you've also raised concerns?

Mr Hamilton: Any expenditure of money, whether it be public or private, should be matched with some pro forma analysis. In this case, on broad proposals we try and throw together some money to give an example of why we are concerned and quantify it with dollars.

I think an individual coming looking for any money from anybody, private or public lender, should be able to provide and justify a pro forma that would interest both parties, not just themselves. That really seems to be one of the basic axioms of any loan or any type of loaning of money. I would ask Dick to comment on that further, if I may, Mr Chair.

Mr David Johnson: I guess when Dick is commenting, what I'm asking is, would you find investors for the loan fund and for the CISCs?

Mr Hamilton: Would we find investors?

Mr David Johnson: Would you find investors under the conditions that are in the bill at the present time?

Mr Hamilton: Dick works on it day to day. I gave you the general. If he may respond—

Mr Charbonneau: Basically, sir, I don't expect that we would find very many investors because we don't have the investment vehicles here in Ontario or in Canada that prompt this kind of investment. For example, there are community-based loan or incentive funds operating in some US cities near our jurisdiction which have tapped the major foundations, which are of course established under US law, for operating donations and actual equity contributions. But I don't think we're going to find investors to do this because they have no reasonable expectation of return. Frankly, to suggest that they could use their RRSPs—if in fact people planned to ever have a pension, I guess they would expect to have some yield from their savings over time.

Mr David Johnson: Exactly.

Mr Charbonneau: This is kind of a contradiction in terms. A saving is not a saving if in fact only the principal is risk-free. So I really don't feel we're going to have takeup on either of these unless we make them accessible in a context of corporate citizenship or public philanthropy, and that will mean, frankly, some tax advantages.

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Mr Hamilton: Again to reiterate, we stress that the

general philosophy of many of these initiatives is very noble, but some of the ways of delivering them may well be in amending existing programs, which you can call another name or whatever, but there may be existing programs that can be amended to accommodate it better. And when we run through the numbers, we find some of the interesting philosophies not making a lot of good business sense.

Mr David Johnson: My colleague would like the final two minutes.

Mr Jackson: No, I yield to my colleague the former mayor of East York.

Mr David Johnson: I think, number one, we're getting that if this goes through, you'd like to see the communities have more control in terms of selecting the people who are involved. Number two, you're saying that we should look at the existing vehicles that are there and fortify them perhaps. Can you be more specific in terms of the number one action you'd propose in terms of vehicles that are there today where you'd like to see a change?

Mr Hamilton: There are a couple of places we go through this.

Mr David Johnson: The New Ventures program, for example.

The Chair: We don't really have a lot of time for response.

Mr Charbonneau: Very quickly, sir, I would suggest the New Ventures program currently operated or supported by the province would be probably the ideal program to examine, by way of meeting many of the client needs anticipated or foreseen under the community loan fund program. In essence we said they're basically very similar in nature. Yes, perhaps there could be ways to introduce more local involvement in them, but in essence all that has been provided under New Ventures is a loan guarantee from the province on the principal, which frees up any other collateral.

We've had good success with our banks, although many are dragging their feet because they feel obviously the administrative costs far outweigh the advantage to them, even with the loan guarantee from the province. However, they kind of grudgingly understand why it's important to grow new customers, and I guess many of them perhaps see it is as a longer-term investment.

Mr Hope: I was just interested. In here you're talking about the economic development stuff that's going on in your community. I represent a rural community in the city of Chatham, outside the city of Chatham. I know municipal governments never play partisan politics so I won't enter into that process. But when you were talking about you already have established in the municipality a corporation dealing with economic development, this legislation also provides for you to incorporate in that process to bring it into the

process, not to create another bureaucracy. Doesn't that eliminate some of the administration and help you and the community to step your approach more broadly towards bringing economic renewal in there?

Mr Hamilton: If we can continue to use the same umbrella rather than run around with two or three new ones, that is a positive step.

Mr Hope: I ask the parliamentary assistant, but I take section 112.2 in this Bill 40 to mean that "The council of a municipality, either alone or together with one or more persons or municipalities, may incorporate a corporation under part III of the Corporations Act as a community development corporation."

Mr Charbonneau: They can do that now.

Mr Hope: So all this does is—

Mr Charbonneau: We're incorporated under Ontario law.

Mr Hope: Well, just wait, because I'm getting some staff and I would ask staff for a clarification of this, because this needs to be clarified and I would ask staff to please come forward and to clarify this for us.

The Chair: The parliamentary assistant?

Mr Hope: Through the parliamentary assistant, and then he can ask the staff.

Mr Drummond White (Durham Centre): Tania Melnyk, I'm sure, will be able to address that issue for us.

Ms Tania M. Melnyk: This is exactly the point of that clause. It is intended to provide the power to municipalities to establish corporations. It was discovered that a number of corporations that have been in existence for a number of years around the province were in fact created without the appropriate legal power. The intent of this act is, first, to legalize, if I may say, the existing corporations, and as well to provide the opportunity to establish more broadly based corporations. They are very much an option, however. No one is requiring anyone to establish a more broadly based community development corporation.

Mr Hope: Well, it's just a philosophical difference. I won't enter into that, though.

The Chair: Further questions?

Mr Norm Jamison (Norfolk): Yes. I apologize for coming in late, but I had some other responsibilities this morning. I found it quite interesting as the parliamentary assistant responsible for small business with the Ministry of Economic Development and Trade that really what you were saying is that this is a duplication of sorts to the New Ventures program. I would say not, on the basis that the New Ventures program is designed, number one, directly for startups. The new program covers much more than that. The New Ventures program is administered directly by the banks and the banks really are more involved than they would be in

the community committee type of setup. So I beg to differ with you on that, and in the New Ventures program, as we move forward, the paperwork is always a burden on a small business. There's no question about that. Clearing the path, which we're moving forward on, should deal somewhat with that. But to say that the New Ventures program encompasses all the aspects that have been brought forward in this legislation I believe to be incorrect.

Mr Hamilton: We certainly didn't say that exactly in the written presentation. It may have been stated when we were speaking informally.

To recapture, though, we certainly wish the committee to pay particular attention to that existing program and to ensure that it is running properly, and that's I guess the bottom line of the report in that area, before we launch into any new initiatives. The money is short and it's very critical how we all work together to develop our communities in the province of Ontario.

Mr Jamison: I understand that the New Ventures program is not the vehicle that provides benefits to every aspect of the small business community. After startup there's a major gap, and that's what I mean to indicate here. The community economic development initiative would provide potential help to businesses in the critical three-year period after startup, when success or failure are the either/or terms of the day, in general terms.

Mr Hamilton: I guess the dissent, where we don't agree, would be on page 8 in the second paragraph. I won't read it again, but we mention the comparison, as you raise, and our position is backed up with an example of dollars. We present it to the committee for your consideration.

The Chair: Thank you, and thank you for coming from the fine city of Thunder Bay to make your presentation to the committee. For your information, the committee will be considering this bill clause-by-clause next week, and hopefully it will reported to the Legislature and dealt with this fall.

Mr Hamilton: Thank you very much, Mr Chair and members of the committee. We have a formal bound copy for the Chair, if I may present it to the clerk.

The Chair: Thank you.

1100

COMMUNITY OPPORTUNITIES DEVELOPMENT ASSOCIATION

The Chair: Our next presentation will come from the Community Opportunities Development Association, Paul Born.

Mr Paul Born: Good morning. How's all this going? It seems like it's a long and sort of tedious picking at the legislation, and what I want to do with you today is share with you a little bit about why I support Bill 40, why I think that, as a community

economic development organization, Bill 40 is the pavement on a gravel road that we've been travelling on for a very long time. The shocks are starting to give out and it's going to feel good to have this legislation happen.

Let me tell you a little bit about who I am. I'm the executive director of the Community Opportunities Development Association. I also sit on the economic development advisory committee for the city of Cambridge and I chair the community economic strategic planning committee.

Community economic development is a relatively old yet new term. I think that we've looked at it in other ways, we've sort of talked about some alternative economics, but I think right now we have some new people who have latched on to community economic development, people who have a solid business background, who understand how to run business and who aren't scared of profit, who, as a matter of fact, quite like profit. When you have individuals like that working in community economic development, and as I've always said, if we can take community economic development out of the granola crowd, then we're going to see what it can really achieve. That's really what we are attempting to do as an organization.

CODA is a non-profit community-based charity. We were established in 1984 by the Waterloo Regional Labour Council. We were then made into an independent body that is made up of equal representation from business, labour and community members. We have just over 200 volunteers who are very actively involved in the organization and 51 staff. We work within the Waterloo-Wellington regions, which include the cities of Cambridge, Kitchener-Waterloo, Guelph and beyond.

What I forwarded to you today is an overview of the organization, of CODA, giving you a little idea of how we define community economic development on page 2, then on pages 3, 4, 5 and 6 overviews of the some 20 programs that CODA operates and then in the final two pages our location and some of the other things we are doing.

CODA works very much in partnership with people in the community. As a matter of fact, we co-deliver programs in 20 locations with over 20 other community organizations.

When I thought of Bill 40, I thought of this, my credit card, and I want to boil it down to something this simple. I'm wondering how many people around this table don't have one of these.

Ms Christel Haeck (St Catharines-Brock): Over-extended.

Mr Jackson: We have too many of them.

Mr Born: The credit card can be either a good tool or it can be a negative tool. For many of the people CODA works with, access to credit is the most difficult

aspect of getting ahead, particularly individuals who want to start businesses. CODA this year will work with just over 1,000 people who want to start businesses. Of those, approximately 120 will start businesses within the Waterloo-Wellington regions. About 30% of those individuals have no access to credit. Why? Because they're on social assistance. We are even finding that people on unemployment insurance have much more access to credit than people on social assistance, and those who don't have access to credit cannot start often successful businesses.

I will talk a little bit later on about how CODA sees Bill 40 living, what's going to make it work and give you some real-life examples of people who would not have been able to start their own businesses if it were not for a loan fund that CODA operates which is similar to the community loan fund program that you are administering, or that Bill 40 is going to bring forward.

I want to support Bill 40 because I think it is legislation that is in the right direction. It's not the panacea, there isn't enough money, the legislation is cumbersome, and we all recognize that. But that is the way things happen, so we live with it.

One of the things that CODA often uses in our community economic development strategy is we say we build the road as we travel. As long as we know where the road is going and we're focused with our strategic direction, with our planning and, most importantly, with our innermost commitment and philosophy to making something happen and making it work, the road gets built and it gets built well.

So I see Bill 40 as the beginnings of the road. As we travel, we will work together, in commitment as a community-based agency, with staff and with politicians to try and make it the best possible program that it can be, given limited resources.

How is Bill 40 going to live in practical terms? A lady came to CODA back in 1989. She had been recently divorced and was on welfare. She was 48 years of age and felt, for all intents and purposes, that her skills were redundant and that in many ways she was unemployable. She felt she was over the hill.

She came to CODA and we worked with her and we talked with her and we started to bring out of her some of the dreams and visions that she had for her life, but more importantly, we talked about what she loved to do, and what she loved to do was bus tours. She set up bus tours for everyone and everything. From the time she was 16, when she lived in England, she would set up bus tours to take the local kids, from the community, dancing in the city. When she came to Canada she would organize fall bus tours on a regular basis for her friends. This is what she loved to do. Obviously, being on welfare, starting a bus tour company was not a simple matter.

Within a matter of six months in working with this lady we developed a very professional business plan. She then accessed CODA's loan fund for some \$5,000 and set up her office, and with her skill and talent, this year she will do over \$400,000 in sales and employ four people. Without the loan fund, she would not have started the business.

Another lady came to us, a single parent again, on social assistance, one child. She was in her mid-30s, had extensive training in holistic health therapy. It's an interesting business. We thought, "Jeez, how do you make a living at this?" Within 18 months and a loan of \$3,600 from CODA, she was able to start this business and be completely off social assistance, repaid the loan and was pouring over 30% of her net earnings back into the company. She was living on only 70% of her net earnings.

These are only two stories of many, many stories that I can share with you of people who have started businesses.

I have brought with me and I'll go get it when—somehow it got handed out, or do I have it here? Here are some examples of some of the businesses—and I can just show you, it goes on for pages—that CODA has helped start: hair salons, fitness exercise apparel, artistic wood carving, cake decorating, portable photography service, product development consultant, manufacturers' representative to China. An individual with Chinese heritage and able to speak the language has now taken Canadian products, got the investment from Canadian corporations, and she is now their sales representative in China and will begin selling their products, primarily in the poultry industry now, in China. A fantastic business. We have great hopes for it. She is in China now; she left last month. Those were some of the ones we started in Cambridge.

In Guelph: consulting technician on computer-aided design; there's a new Spanish nightclub opening up in Guelph; administrative and consulting services to non-commercial radio interests; bed and breakfast; growing and distributing of commercial herbs.

In Kitchener-Waterloo: inventory management and training company, mobile locksmith, export and international trade consultant, aluminum siding cleaners, wicker and caning artisan, distribution of environmental testing. Another individual who came to CODA on social assistance, hitchhiked his way around the United States and with gratis help, or at least part ownership in his company, went and tied up all of the environmental testing kits in the States and tied up all of the patents for them, brought them to Canada, came back and now has national sales with Home Hardware, Canadian Tire and St Clair paints. So again, a person on social assistance with all kinds of initiative who could not have started without a community loan fund.

Stratford, Listowel and surrounding areas: Again, the holistic health therapy is out there; food vending; one-hour photo lab and camera sales in New Hamburg; energy consulting, and the list goes on.

Why do I believe in community loan funds? Because if there isn't access to credit, the people on the margins of society, with all their dreams, with all their hopes, with all their talents, have this insurmountable barrier that they cannot get over. They need credit.

Almost all of the people whom I have talked to you about today did not qualify for New Ventures because they didn't have the matching capital that is required under New Ventures to start their businesses. These are people on social assistance, and when people are on social assistance, we subject them to having no money at all. We make them deplete their savings, their RRSPs, and in some cases to sell their homes. It is very, very difficult for these people to have access to equal opportunity.

Community loan funds can work, and what I want to share with you is CODA's community loan fund. I know it is not the same as the community loan fund that you are establishing, and yes, we were able to establish it with the assistance of various levels of government and some private individuals—

Mr Jim Wiseman (Durham West): You're really screwing up Hansard by wandering around.

Mr Born: Sorry.

Mr White: That's all right.

Mr Born: —from the Canadian Council on Social Development and a number of other consulting companies.

We were able to gather together \$312,000. We issued, at that point, 33 loans or \$106,066. To date, we have written off zero loans. We have four defaults, or what we call inactive accounts that we are still collecting, which have the potential to write off \$10,492.

The loan fund has been relatively successful. We lend money at the prime lending rate plus 1% and the average loan is about \$3,214. We have experience that if we give access to credit to people who are on the margins of society or if we bank the unbankable, they respect us, they work with us. They respect those who have given them that chance, and that is why I am asking you to support Bill 40 and to implement it as quickly as possible. We need to do more.

Further, through the community economic strategic planning committee of the city of Cambridge, we are looking at developing further projects, of attracting companies and growing other companies. We also need a vehicle whereby we can give larger amounts of credit to individuals and corporations where banks may not be willing to take the risk but members of the community will because they see it as viable and important. Therefore, the community investment share corporations, we

find, will also be very helpful.

The question's been asked: Can we raise the money? I don't know, but I know that we will try. We have already formed partnerships with an organization called the Mennonite Economic Development Associates, which has a very, very strong chapter in our area. They have an international reputation for running some of the finest loan funds internationally. They are saying that they feel they can raise the money within their constituency, that they have people who understand how to give in this way.

I can tell you that I will put some money into this, a minimum of \$5,000 I will invest into this, and I'm putting my own self on the line here and I'm asking others to join me. That is how community loan funds are established. It's the same way that we raise money. When I want to go out and raise money for CODA, I go and say, "This is what I've given." Our volunteers say: "This is what I've given. Please join me." When they begin to see what value that gift has had to the community, they will understand that the lost interest, if there even might be lost interest, is an incredibly valuable investment in our community.

My feeling is that if we can raise substantial dollars on a fund-raising campaign, where things are not secured, where it's direct money out of their pocket, I don't see why we wouldn't be able to raise substantial amounts of money using Bill 40, where the dollars are secured by the provincial government, where the only potential loss that there is for the investor is a little bit of lost interest. My belief is that that lost interest is a small price to pay for the future of your children and your community.

I support Bill 40 and I ask that you support it as well.

The Chair: Thank you. Mr Johnson.

Mr David Johnson: Certainly, to express congratulations to CODA for obviously being very involved in helping many, many businesses in the Cambridge area, I guess, is it, primarily?

Mr Born: Waterloo region; Kitchener-Waterloo, Cambridge, Stratford.

Mr David Johnson: So, obviously doing an excellent job and congratulations to you.

I'm just a little curious, looking at the loan fund performance that you've just recently given to us. There was \$312,000 raised in the first instance. This was raised in 1989, was it, at that point?

Mr Born: Yes.

Mr David Johnson: And the loans that have been granted have been just a little over a third of that amount in the four years. Did you expect that there would be more applications through that period of time, or is this about what you expected?

Mr Born: It's important to recognize that we

stopped issuing loans in 1991, by directive of our board, mainly because they felt that they wanted to analyse the success to date, and then what they have asked us to do is enter into agreement with a third-party lender. One of the things that we have found difficult is that we mentor a business along, get it started, work very hard with it and then, if there is a default on the loan, collecting that loan is a difficult and big-stick process.

Mr David Johnson: Sure.

Mr Born: That was very uncomfortable for staff at CODA. The other thing that the board felt is that they wanted to regroup the self-employment program, move it into a new direction. That we have done, and we are just wrapping up now our third-party lending agreement with MEDA to begin to do the third-party lending in our community.

Mr David Johnson: Now, you've had very good success, apparently, for defaults. I'd call four out of the 33 for a total of \$10,000 to be pretty good success.

Mr Born: Yes, four left. The others have paid off. Even though they've defaulted, they've paid off.

Mr David Johnson: Yes. Now, that was going to be my question. There are 33 altogether; four have defaulted. That leaves 29. Have they paid off? Have they all paid off, or are they in various levels of paying?

Mr Born: I think we have 12 left that are in the final stages of payment. We gave three-year loans to them, gave them a three-year period of time; six months interest only, no principal, and then after six months we start to do principal and interest.

Mr David Johnson: You were talking initially about a number of businesses and you were going through specific cases. Did all of those businesses get loans, or just some of those businesses get loans and others get advice? How does your group operate?

Mr Born: The vast majority of the ones that I have expressed to you did get loans. Obviously, as executive director, I have not that much direct contact with the businesses, as our business consultants do. But from my memory, these are the ones that I was able to pick out, the ones that I read. It was about 30% of those that went through our training program.

Mr David Johnson: One of the questions I was going to ask before this sheet came around was whether you had any statistics on the success ratio of the businesses that CODA had assisted setting up, in a sense. Perhaps I'll still ask you that question. There are obviously a great number of businesses you've been involved with. Some have failed, a small number here apparently, but—

Mr Born: Sure, yes. The last follow-up we did was in the fall of last year, just after the reorganization started, and 78% of the businesses that we had started were still existent.

Mr David Johnson: Seventy-eight per cent that had

started were still existent.

Mr Born: Yes.

Mr David Johnson: All right. And that goes back to—

Mr Born: To 1988, when we actually started businesses.

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Mr David Johnson: What sort of process do you use to screen? You must have some applications that you say, "No, that's just not viable."

Mr Born: Exactly. For every 1,000 applicants, we accept somewhere in the area of 220 to 230 individuals into our training programs. They aren't direct applicants. We have a four-stage application process, and each of them is not paper-oriented, they're very much related to making people understand their business concept.

The way CODA developed itself was, first of all, we published a book called *Welcome to Small Business in Waterloo Region* and got the interest out there. Then we started delivering two-day self-employment workshops, and these are all over, all the way up from Listowel to Stratford to Guelph to Kitchener-Waterloo and Cambridge. People come to these two-day workshops and they then basically assess their business idea. We sort of let them know why they shouldn't start a business, because we think that's just as important as telling people why they should start a business, even though the course is focused on the positive in terms of why you should start. But really that's our goal at that point, to get people to drop off and to only allow those who really have viable business ideas to continue on.

Once they've completed that, then they will apply for a variety of programs that we have. If they're on unemployment insurance, they'll apply for the self-employment assistance program. That's funded by the federal government. If they're on social assistance, they'll apply for the going into business program, which is the community enterprise program under Jobs Ontario. If they're neither, then we will work with them one on one in a private consulting arrangement if they can afford to pay. If not, they're also allowed into the Jobs Ontario program.

Mr David Johnson: So—

The Chair: Thank you, Mr Johnson.

Mr Born: Very good questions, and I—

The Chair: I have an interesting task of getting Mr Wiseman, Ms Haeck and Mr Jamison in in the next five minutes.

Mr Wiseman: Mine's a very quick question. You indicated that Bill 40 is going to allow you to do things differently. I would like you to explain to the committee how you're going to use Bill 40 in a concrete way, and giving examples, when you have such a good success ratio and rate with what you're doing already. What

does Bill 40 allow you to do in the way you will relate to people, the way you will raise funds and so on that is different and that you think will allow you to have greater success?

Mr Born: What I can share with you is the vision that we've been kicking around the planning table, because that's where it's at right now, because we don't have a concrete program to apply to and to develop.

Essentially, what we realized is that, first of all, the importance of Bill 40 is that we can sidestep the banks, which don't want to partner with us or with any other community economic development organization and don't want to issue loans of \$5,000 because they say it costs them more money than it's worth. So we've been able to sidestep that, and now we have access to credit, okay?

One of the first things we will do is, in forming the partnership, we have identified a specific constituency which we feel is used to investing money this way. We are fortunate in our community that we have individuals like that. I think every community has that constituency. But essentially we will put together a—I want to call it a business plan, but that's not what it is. It's a case statement that we want to put together just as we'd go into a fund-raising campaign, saying why people should invest in this program, why it's beneficial to them in their community and what their potential gains are for them and what they can get for it.

Then we would put together a cabinet that is responsible for doing the one-on-one asks and going out into the community and actually doing the asks for the dollars. Our hope is that they will be getting substantially larger donations or contributions than \$5,000. As a matter of fact, if there is one critique I would have of Bill 40, it's that the \$25,000 limit or 10% of the guarantee isn't a good idea. We should try to go to 25%, because if we could get someone to invest \$50,000 or \$100,000, it's the same amount of work as getting someone to invest \$5,000. It's just a matter of who we're going to and asking for these dollars, and I don't think there's any concern about this person dominating the fund, because these people aren't doing it as a power approach, they're doing it to assist the community.

At that point, we'd begin the establishment of the fund. Then we would work with agencies in the community, particularly in the work we are doing and others in the community who are doing small business training. We would start to publicize the program in a broader way and allow people to start making applications to the fund.

Then the fund would be administered in the best way possible. Our goal is to charge no less interest than the going credit card rate. We're changing our philosophy dramatically in that. Whether we're allowed to legislatively I don't know. We'll do what we're allowed

in that sense. I can talk to you at some length about why that's important and why that rate is a bargain when we're looking at what we're doing. It's very important that these loan funds become independent and self-sustaining, and the only way one can do that is to charge interest rates that are equal to the amount of work that it's going to take to administer this. This is again the experience that we have working with a very, very strong partner that has been doing lending in developing countries for over 25 years and knows what they're doing and how to do it and grow it substantially.

Now, all of this has been said on the basis that we have not been chosen as one of the pilot projects and we do not have the final terms of reference, but what I'm trying to do is to put some feet on to a program that may be less than traditional.

Mr Daigeler: Thank you for the presentation, and I appreciate the work that you're doing with the target group that you've set for yourself.

Mr Born: It's important to recognize that all parties around this table have been very supportive of our work and have all contributed significantly to it. So we're a very non-partisan organization and have received as much help from the Liberal and the PC governments as the New Democrats.

Mr Daigeler: Nevertheless, we have to recognize, and that was the point I was trying to make a little bit earlier, that the term "community" means something in this context and it means something else for many other people.

In that context, I was interested when you said, and I'd like you to explain a little bit more what you meant, that community economic development will really take off when it moves out of or beyond the granola crowd. What did you mean by that?

Mr Born: We often are nicknamed granola MBAs because we love business and love making profit and yet we have a very strong social conscience. I think that's what I mean, that at CODA we hire people who have significant business background and we also hire people who have significant social work background. It's that dialectic and the dialogue that goes on between these two that creates innovative programs. That's what I'm suggesting.

Mr Daigeler: I appreciate that clarification, and again, as I say, I support this. To some extent I come out of the same crowd because I'm a theologian by training, but I think we should recognize that, as we saw from the mayor from Thunder Bay, community economic development means something very different to many other people. As long as we know what we're talking about, I think then we can be supportive of both.

I have a question actually to the parliamentary assistant that I would like to just simply put on the record. I'm sure he'll be able to respond to this. Could

we get a listing from the ministry of all the groups that are similar to CODA that exist in the province? There are all these different organizations that fulfil a similar purpose, and I'd just like to know who they are and where they are. Would that be possible?

Mr White: I can certainly attempt to do that. What you're asking, though, is a group which may have some characteristics of the kind of group that will be applying for status and it's a bit nebulous, because of course groups could be like CODA, they could be churches, they could be Mennonite communities. There's a whole range of different possibilities of groups that might want to apply for status. But we will none the less attempt to deal with that question.

Mr Daigeler: That's precisely why it's so difficult to say, "They're a part of it and they are not," but what I'm looking for is really a list of those groups that are specifically involved in the type of economic development the gentleman is talking about, that are currently involved in this.

Mr White: I will certainly attempt, with staff, to derive that list.

The Chair: Thank you, Mr Born, for appearing.

Mr Born: It's 11:30 on the nose.

The Chair: Sometimes I get it right. Thank you very much. For your information, as I said before, we'll be dealing with this particular bill in clause-by-clause next week, hoping to report it to the Legislature this fall.

Mr Born: Wonderful. Thank you.

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FRIDA CRAFT STORES

The Chair: Our next presentation, FRIDA Craft Stores, Susan Bellan. Susan, if you'd just come up and have a chair. Introduce yourself for the purposes of Hansard. You have half an hour to make your presentation to the committee. The committee always enjoys some time to ask some questions of clarification or information.

Ms Susan Bellan: Well, if I can't convince you in a half an hour, I think I'll never convince you.

My name is Susan Bellan. I'm a Toronto retailer. I've been in business on Front Street in Toronto since 1979. I'm also an economist, and before I started my business I advised Third World countries on creating labour-intensive industries. I did work for the World Bank and various governments as well as the Canadian government. I am also chair of banking issues for the Canadian Organization of Small Business in a voluntary position.

Talking from my own experience, I believe the community economic development issue, while it's laudable, is more useful in a rural setting rather than an urban setting and quite frankly I feel as though it's a bit of fiddling while Rome is burning. Talking about financing small businesses to create 600,000 jobs in

Ontario, if you talk about that without talking about the banks, it's like having a wedding without inviting the bride.

With what's happening right now in Ontario, it's as if—I'll give you an analogy. Just imagine if Ontario Hydro said: "Well, we don't think we're going to put power into farms any more or in fact into places under 100,000 people because it's not really cost-effective. We're only going to do over 100,000 people and we're going to sell power to the States because that's where we really make our money." So communities had to turn around and say, "Oh jeez, I guess we better start setting up power plants," so communities all start setting up power plants.

I'm asking you whether you think that would happen or whether people would raise the roof and say: "What the heck is this? What do you think you have the monopoly for? You have the monopoly to provide power to Ontario. It's not your own ambitions you're after. You are here to serve the needs of Ontario."

I submit to you, members of the committee, that that's what is happening in the banking sector. Just because the banks happen to be five chartered banks rather than one doesn't mean any less that they're not a monopoly. Essentially it's a monopoly that we have here, and it's a monopoly that's not doing its job. I would say they're doing their job as far as keeping depositors' money safe is concerned, but at the same time the banks have a responsibility on the investment side, and they're falling down on that; they're not fulfilling their role.

I think what's happened here historically is that until the 1980s, Ontario was considered Canada, basically. It was the heartland of Canada, and the banks were considered Canada, and it was sort of like Ontario equals Canada equals the chartered banks. Everybody's interests were going in the same direction. Then what happened in the 1980s, I think, is that the banks went global. They started to look internationally and started to think about investing in foreign money markets, buying American banks, buying global trust companies and getting really keen on getting into the North American free trade agreement, looking at the possibility of expanding into Mexico.

What's happening, as I see it, is that Canada and Ontario are being used as the springboard for their ambitions. It's great for them, I assume, but I don't think it's too great for the rest of us. I recently attended a talk given by Maurice Strong, and he said that the mission of Ontario Hydro is to provide cheap power to keep Ontario industries competitive. Well, unfortunately I don't see that our banks see that their mission is to provide all sorts of investment capital to keep Canada and Ontario prosperous. They don't see that as their goal, and I believe they ought to.

I think we should realize that right now, first of all,

there's at least \$300 billion of depositors' money in chartered banks in Canada. I gather 55% to 60% of it comes from Ontario, so that's \$150 billion, \$160 billion of Ontario's money sitting in these institutions right now. Meanwhile, credit unions have \$12 billion.

In Quebec, the *crédit Desjardins* has \$56 billion by comparison, so that's where all the money is: \$56 billion in the *crédit Desjardins* and \$40 billion in the National Bank, which concentrates its energies on Quebec. All these institutions actively participate to keep Quebec strong. I know. I've read that the National Bank actually does a lot of equity investment, where it actually takes an ownership share in order to help new businesses get off the ground and help them expand.

Last year, the *crédit Desjardins*, the National Bank, the Laurentian Bank and various other Quebec financial institutions, but not the chartered banks, set up a \$100-million risk capital fund. This risk capital fund was to help ailing Quebec companies and also was to be used as risk capital to start up new companies. First of all, the chartered banks didn't contribute a cent to it, and neither did they do anything like that here. Businesses in Ontario are totally dependent on these people; we don't have an alternative.

I'll give you an example. If you say, "Well, go to the credit unions," two years ago, when my bank basically said it would probably take away my credit line, I phoned the superintendent of financial institutions, because not only were they going to take away my credit line but they were going to call one of these Small Business Loans Act loans that was in good standing. I had a track record where I had borrowed \$130,000 since 1986. I had paid back all but \$20,000, never missing a time, and they were going to call it on me.

I phoned up Ottawa to protest. The superintendent of financial institutions—it was the guy's last week there; he was about to leave, so he was very candid with me—said: "I suppose you could make a formal complaint in writing, but if you do that, then we'll contact the vice-president of your particular bank and they'll look it into, so I advise you to change banks really fast because I think you're going to run into difficulty." He said: "In fact, all the banks are the same. That's my experience here. You should just switch to a credit union or a trust company. That's where you should go, because the banks aren't interested."

I was desperate at the time. This was in 1991, after all the public sector strikes. I was really in very difficult circumstances, so I phoned 20 trust companies and credit unions in Toronto and not one was interested in my business. This idea that there's an alternative—it doesn't exist.

I also called the Royal Bank and I asked if it would take over my account. Somebody from the bank came down to speak to me. I explained about how my busi-

ness supported five people and generated, I can't remember, about \$250,000 in tax revenue for the community etc. He said, "Where is your outside security?" I said: "I don't have any. I sold every last thing to put in my business to keep it running." He said, "I'm sorry, we can't do anything for you." I said: "I've been in business since 1979. I'm a valuable member of the community." He said, "My shareholders would think I'm daft if I lent to you on that basis."

So you can't just transfer accounts. It's a myth that you can just switch banks; it's almost impossible unless you've got loads of outside security and you can just start moving around. Now, with the collapse in real estate prices, believe me, nobody's got loads of outside security.

I also want to mention that in 1990—I quote a newspaper article—I organized meetings with the chartered banks a couple of years ago to try to get them to stop pulling in credit lines from small business. The Toronto Star did an article and said at the time, using Bank of Canada statistics, that the banks were lending \$28 billion to small businesses and they were lending \$71 billion to big businesses. There was an article in the Star two days ago, and the number for the Bank of Canada is now \$24 billion. The banks have been telling me and everyone else that no, they're not cutting back. Well, I find that a little hard to believe when those figures show that there's \$4 billion less lent to small business in the last two years.

Once again, if you apply the Ontario rule and say that maybe 55% to 60% of it actually comes out of Ontario, because that's where a lot of their business is—they don't have the credit unions; they don't have the strong regional banks that other parts of the country have—then it's at least \$2 billion that's been pulled out of small business lending in Ontario.

For those of you who have never been in business, a lot of people say, "Well, what does that mean, credit line?" What it means is that you have a \$100,000 credit line and all of a sudden you're told it's \$50,000 as of next month. Maybe you have to sell your house. Maybe you have to fire several people to get your expenses way down. Maybe you'll go out of business; that's another possibility.

Another hidden thing is that they've been terming loans. Before, you had a \$100,000 credit line or \$50,000 credit line and you paid the interest only each year; you'd pay your \$10,000 a year interest. Well, a lot of banks have been turning these into term loans. They want to get out of small business and they just say, "No, we want out of it," so now it's a term loan; you've got to pay it off in three years. Nobody ever talks about this. What it means is that all of a sudden you've got to pay off \$100,000 in three years. You're not paying \$10,000 a year in interest payments; you're paying \$35,000 principal plus \$10,000 etc. This is what's been

strangling a lot of businesses.

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Why have the banks been doing this? I think it's pretty evident. You look at what's been happening in the trust industry. The Bank Act was opened up and instead of making a lot more competition, as I see it, all that's happened is that there's a lot less competition. What has happened is that banks have got out of small business lending to get into mortgage lending. Mortgage lending is very easy: You lend on a house, you do it once every six months or once a year; you don't have to bother looking at any papers except when the mortgage renewal comes up and you go back to sleep again, and you know you've got a house that's securing this. Business lending is more work; I'll grant you that. You actually have to every month keep tabs on what's going on with the business. You might even have to visit the business, perish the thought.

In the computer age, as we know, capital is flying all over the world internationally, which 10 or 15 years ago it wasn't doing. People are playing the foreign money markets, doing quick flips of money, which doesn't create anything for anyone anywhere, either here or abroad. Also, our banks are starting to do a lot of US financing. I find it kind of interesting to read the financial pages, about how one bank has really gone into the US and is financing US utilities. I think: "I don't understand. Why have they got billions"—and it was in the billions—"to finance the US utilities, and yet I know that this bank has been turning small business away?"

A friend of mine owns a manufacturing company in Toronto that employs 85 people; he's in the furniture industry. He had a senior vice-president of one bank come in to buy furniture, actually, in his showroom and told him that if he cared to move to the States his bank would be happy to finance him from their American offices. This is also happening.

I was also told by somebody in the banking community, somebody very senior, that another bank which bought an American bank invited a lot of its Canadian commercial customers to a meeting. They got the American bank to come up and they introduced it to a lot of their Canadian customers to see if they wanted to move abroad. With friends like this, who needs enemies?

One of the problems now is that in the 1980s the banks got away from commercial lending. It became kind of a pawnshop system. Before the 1980s, a bank would look at your business and say: "Does this make sense? Is it a good idea?" Commercial lending was also done in the community, they didn't centralize, so they would know you and they would know your business. What happened is that in the 1980s the banks centralized their commercial lending; they grouped everybody into commercial lending units. So you weren't in your

community any longer and they didn't know who you were, so they'd have to look at all your real estate etc: "You pledge real estate, you get money." It doesn't really matter what you're doing, actually. If your real estate can cover the loan, they couldn't care less; they know they'll be paid back.

In a way, it means you don't have to understand how to assess risk any more, so I think there's a training gap right now. Basically, in the 1980s the banks lost the ability to know how to evaluate the businesses and now they don't have trained personnel who know how to do that, and this is a terrible problem.

I also think that the other financial institutions in Ontario are not doing their fair share. I think credit unions—this probably sounds blasphemous—seem to be more out to get things for their members, like cheap insurance, than really helping the province's economy. There are over 400 credit unions. They're all scattered and they tend to be ethnically affiliated or employment-affiliated, and as a small business person you can't tie into this. It's unlike Quebec where you have one credit union that's all over the place and anybody can join it, or Vancity, where once again it's non-partisan and anybody can join it.

If we're going to support credit unions then we've got to say that in return for them getting some of what they want, what's got to happen is that they have got to start being in every business district and they've got to start backing small business to the hilt.

I also think pension funds, both public sector and private sector, and insurance companies, are also not doing their job. According to friends of mine who are in investment circles, they tell me that these guys do \$5-million investments at a time—they won't do anything less; it's not worth their while, of course—so what happens is that they're just busy flipping shares of big companies back and forth. When you look at it, what's that money being used for? To automate and throw people out of work. These guys are dehiring; they're not increasing investment to create new jobs.

Finally, to conclude, what must be done? I would like to see an Ontario investment act. I realize that banks are under federal jurisdiction, but I don't think that's any excuse for people to say, "Oh, we can't do anything." Of course we can do things.

I think all financial institutions taking deposits in Ontario must be required to lend out a minimum percentage of their deposits to small and medium-sized businesses that generate jobs. I'm not talking about real estate investments; I think that should be totally excluded.

In the United States, they have something called the Community Reinvestment Act where, by law, banks must lend out a minimum of 16% to community economic development groups and minorities. They're not

forced to make loans if nobody is asking for the money, but if somebody comes to them and they haven't met their target and it's a good proposal, they are not allowed to turn it down.

If we liaise with the other provinces, I think they would follow suit as well and I think it should be a general pressure of Ontario with the other provinces, because I think the federal government basically is not doing its job with the banks. They've allowed them to do whatever they want to, just give them whatever they want and never make any conditions.

I think we might consider strategically targeting certain industries that we want to be the basis of our economy. Perhaps the Ontario government might do a kind of SBLA where we guarantee the capital on those loans, and it should be for working capital. I should explain that under the Small Business Loans Act that everybody is raving about right now, you cannot borrow working capital for that. You can borrow money to buy computers that are made in Japan and you can borrow money to buy track lights that are made in the States, but if you want to borrow money to hire Ontarians who are out of work, "Sorry, you can't do that," yet that would have the quickest payback of all to the government.

Here, the banks were lending \$28 billion to us two years ago and it's now \$24 billion so they've cut our lending by \$4 billion, and now in the newspapers you keep on hearing, "Oh, we've doubled our small business lending." They went from \$400 million to \$800 million. While they've increased their 85% government-guaranteed loans by 100%, by \$400 million, meanwhile they've decreased the loans that were on their own ticket, the working capital loans, by \$4 billion. Once again, nobody talks about that.

I would like to see pension funds and insurance companies have to invest 2% of their assets in new startup companies. I think there's a precedent for this. They used to have something called the basket clause for pension companies, where they were allowed to invest I think 6% in real estate and 6%, like mad money, in anything else: art works. Believe me, 200-year-old works of art don't generate employment for people. The idea was: "You can play around with this little bit. The rest has got to be very, very solid, but this you can do and it won't hurt things."

In terms of my own business, if you asked me to stick 2% of my inventory into something—I have \$450,000 of inventory in my store so if you asked me to take 2%, that's \$9,000—I wouldn't fight because I would know that no matter what happened, even if it were a total bomb, it's not going to kill me. In fact, the experience of startup businesses in Canada—this is according to the banks, actually—is that after the first year 75% succeed, and after three years 50% are still there. So probably, at worst, what would happen is that

you wouldn't make money but you wouldn't lose money.

I think the economy is everyone's responsibility and not just individual entrepreneurs' responsibility. The current situation, as it stands right now, is on the head of an individual entrepreneur. If you want to start up a business you are expected to put your house on the line, against a demand loan that can be called on you, so you could lose your house, which is a long-term asset, and it could be called on you in a matter of days. Meanwhile, if you lose it, then you don't qualify for UIC or any of these other social programs.

We're asking people to put their head in the noose to rescue the country, to rescue Ontario. My own experience is that when you start a business it takes three to five years to make any profit. Meanwhile, what happens is that the government wins on the first day: The first person you hire, in the first year the government saves \$12,000 in UIC or welfare and they've probably got minimum \$5,000 in tax in, so it's a win of \$17,000 minimum to the government for every person you hire. Meanwhile, you are expected to take the whole risk, and I don't think that's right. I think banks, trust companies, credit unions, public and private sector pension funds and insurance companies have got to start to put their necks on the line a bit too, because they get the benefit too.

I believe public sector salaries are going to continue going down. I don't think we've seen the end of the 5% decreases. If we don't rebuild this economy, it's not going to be 5%, believe me, it's going to be much more, so it's in their own interest to get this economy going again. Thanks very much.

The Chair: Thank you. We have some questions. Mr Wiseman has indicated that he wants to ask a question.

Mr Wiseman: Thank you. I found your comments to be right on the mark. My experience in my constituency office is exactly the same as yours, that constituents who have had long-running businesses have had banks come to them and say, "If you don't dump your business mortgage to somebody else, we're going to pull your line of credit," and we've had to scramble to rescue them.

1150

I think the real culpable problems in terms of the banks are the changes that have been made since 1967 or 1968, when the first change that was made was that the central bank allowed banks to charge interest rates above what used to be capped at 6%. That then allowed them to go completely nuts in terms of charging interest rates, and then you start to see what happens to businesses in terms of the interest rates.

Just lately, they've removed the reserve ratios that used to be in existence, where you had to have a certain

amount of capital. You would have thought that would have been a positive thing for banks in that they could manufacture what's called M3 money in an infinite amount; they could go for ever, theoretically. Also, they wouldn't have to call loans on businesses that were going under, so you would have thought that that would have been a really positive thing—except for one thing: The central bank's interest rates are so high on government and treasury bills that banks now are getting into the market of lending money to governments, and to get that money, which is at a higher return, they're pulling it out of businesses like yours.

The central bank has had absolutely no response in terms of those criticisms. In fact, as late as yesterday, it said it was going to continue to do this anti-inflation stuff. The statistics will show that as bank interest rates increased, so did inflation. The two are related; one causes the other.

I agree with you, and in terms of what we should be doing provincially, I'm not exactly sure what the relationship is of the credit unions. I think there are some restrictions on them being able to lend to businesses, so I think there's a problem. There is a committee under Steve Owens that's looking into this, reform in that sector.

The fact that there isn't money available for small business I think you have very, very clearly articulated, and I think you've pointed the finger very clearly at what is the problem, so I thank you for your presentation. If you want to comment on that, there must be a question in there somewhere.

The Chair: "Don't you agree?"

Ms Bellan: I agree with everything you said. I'd just like to add one thing. I think we should really consider setting up a very strong credit union in Ontario. There's \$160 billion worth of deposits available. Why don't we get them into provincially run institutions that really give a damn about the province? I think in Alberta they've got the savings branch or treasury branch, which is a POSO—I spoke to somebody from Credit Union Central and they said they'd fight that to the teeth. But the thing is, if they're not going to lend to small business, we've got to have somebody who's going to lend to small business.

Mr Wiseman: So you would support the expansion of the Province of Ontario Savings Office into a loan-giving institution.

Ms Bellan: I certainly would, and I would say that they can't do mortgages. So they can't do the easy stuff, and that counterbalances the fact that they're government-supported perhaps.

Mr Joseph Cordiano (Lawrence): I don't really have too many questions. I would simply say that in terms of this program, as contemplated by the government, we're really talking about a \$30-million injectio

of capital that's available under Bill 40. Obviously, small business certainly has a problem raising capital, particularly equity capital. Venture capitalists are around but the requirements are pretty stringent.

Your comments about the banking system are relevant, and I think it's important for us to understand that and how difficult it is for small business to actually access startup capital and then capital for expansion, and working capital of course is always necessary for small business.

Do you think this program should be expanded? Do you think, as it is contemplated right now as Bill 40, it is a viable option?

Ms Bellan: I like the program as a rural development initiative, but then I sit and I think about it in Toronto. I think, I live in one part of the city and my business is in another part of the city. Who are all the committees? Are there going to be 50 different committees in Toronto? If it's in a small place, then the town centre's there and everybody knows everybody there and it's all together in one place, and to me that makes sense; I think it's a very good rural initiative, for small towns and all that. But in larger urban centres I think the logistics are rather difficult.

Also, as I understood the program, they were asking people to come and put their deposits in and the government would guarantee their money. But to me, as I say, it's like this Ontario Hydro analogy; it's reinventing the wheel. This is going to take years to do. It's not that you shouldn't do it, but it's going to take years to do when you've got all this money sitting there that's people's money and if you just legislated it properly it would be used properly now.

Mr Cordiano: To me, it's one more layer of quasi-bureaucratic functioning which is almost unnecessary. You'll have these boards that are going to make decisions by virtue of the fact of the people who are going to be involved with them. The banking institutions will be involved in the actual lending, but it's another layer that I think is most unnecessary and won't allow for great efficiencies in the system. Because it's only \$30 million, probably that won't be a difficult problem, but my point is that it won't have much of an impact on anything.

Ms Bellan: I agree with you. I'd like to give you an example. A friend of mine owned a furniture-making company, more a medium-sized business than a small business in Kitchener; he had 500 employees. Maybe some of you have heard of this; I've written about this. What happened is that in 1991—was that Meech Lake, or was it 1990? Meech Lake was in 1990, I guess. In March of 1990—

Mr Wiseman: Meech Lake was in 1988.

Ms Bellan: No. Meech Lake?

Mr Wiseman: Definitely 1988, the 1988 election.

The Chair: Son of Meech Lake was 1990.

Mr Wiseman: It was signed in 1989.

Ms Bellan: There was something in March of 1990, the Meech Lake Accord.

Mr Wiseman: Carry on.

Ms Bellan: Anyhow, what happened was that at that point everybody started to hold back on paying people. I know that's the first time my business started to slip. What happened is that his customers held back on their payments to him. So what happened is that he couldn't complete his work in progress because he couldn't pay his suppliers for what he owed them. Because he didn't pay them, they wouldn't ship him more so he couldn't complete what he was making.

He had a full order book; he had taken over the company with his brother from Electrohome. They had redesigned the furniture and they had orders for furniture from all over Canada and the States—there were a lot of hotel orders—but because he got in this cash flow crisis, he couldn't keep going. He went to the Ontario government, he went to the Liberals at the time, but it was at the time of the election and because it was the election, nobody wanted to touch him with a barge pole, and then when the NDP came in also nobody wanted to touch him with a barge pole. So he went under in July of that year. That's how fast it was. A 30-year company with 500 employees went down that quickly.

I want to explain the numbers because I think it illustrates your point. He had a line of credit of \$2.5 million and he employed 500 people. The interest rates at the time were 15% so that was like \$375,000 a year, which he was capable of paying but, as I say, everybody was holding on for that extra 60 days, so he was caught. After he went under, for the first year I know pretty well everybody remained unemployed, so that's 500 people on UIC getting \$12,000 a year. That works out to \$6 million paid out to his employees.

In year two, I believe most people were still unemployed—there are not lots of jobs for woodworkers in Kitchener—so let's say that's \$10,000 a person on welfare; most of these were heads of families who worked at this business. That's \$5 million in year two. So that's \$11 million that was paid out to these people.

His employees used to pay tax. They used to pay \$5,000 apiece a year; multiplied by 500, that's \$2.5 million a year they used to pay in tax. For two years, that's 2 times \$2.5 million, that's \$5 million. So \$6 million and \$5 million is \$11 million, and \$5 million is \$16 million. He also used to pay a quarter of a million dollars in tax to Kitchener, so that was another half a million lost.

So my calculations when I wrote about this—it's higher now, but at the time—the people of Canada lost \$16.5 million because this company was allowed to go under.

I actually phoned up the bank that did it to him and that wouldn't back him up and I got very angry at them.

Mr Cordiano: What was his outstanding loan that they called?

Ms Bellan: It was \$2.5 million.

Mr Cordiano: It reached \$2.5 million.

Ms Bellan: That's right, it was \$2.5 million. I'm saying he was capable, but—I phoned and I berated them. I spoke to the senior vice-president who was in charge of the loan and I explained the logistics of it all, and I said, "How much would have taken to save this company?" Basically, he had orders; it was just this temporary cash flow crisis. He said: "Oh, \$2 million. That's what it would have taken."

It seems as though we're so stingy about lending to small business or medium-sized businesses: "Oh, you might lose the money." Of course, he lost two million of his own dollars. He's going to go and just let that go. You might lose the money, but—

Mr Wiseman: They lent \$2 billion to Reichmann.

Ms Bellan: Yes, and this was probably employing almost as many people as Reichmann, actually.

The thing is that we're going to lose \$16 million of public money, so it's no problem. I find it interesting that if you go on UIC, you're given \$12,000, and that's as if \$240,000 were invested and you get the interest off that: "That's no problem; we'll give that to you." If you go on welfare you get \$10,000, so that's as if you have access to the interest on \$200,000. But if you put up your own stuff and you want to borrow, we say, "Oh, no, you might lose it." We're nuts.

Mr Cordiano: That's a very good point. We are nuts.

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Mr Jackson: Susan, thank you for an absolutely refreshing and perhaps the most substantive, global view of the work before the committee at the moment. You cause us to reflect on past deputants who arrive in the same position you're in at the moment, supporting the program but finding difficulties with the proposed program.

You cause us to reflect on a couple of things, but the area you touched on, because no one really seems to be talking about it, is how successful Quebec is becoming with a sense of its own nationalism, where nationalism isn't such a negative in Quebec because it has a sense of survival in promoting everything: their birthrate, their language and their economy. It's really quite a phenomenon to watch.

It's too bad our province's sense of nationalism is defined as being against something else as opposed to promoting something. I just want to tell you, I take from your words the necessity to redirect that attention, and nobody seems to be participating in that debate.

Economically, it seems to be too simplistically aligned to free trade, when its problems are far deeper.

I read today in our clipping service that Barry Crichton writes about the teachers who've now got their portfolio up to \$30 billion, and they're eyeing Europe and the US. That's exactly where they want to airlift their money. All the office buildings they've bought have become shaky and now they're going to be investing in the US.

The only question I might have for you is that we have received input on a fear about this bill, that it may be too urban-focused and not rural-focused. There's been some inference, but not confirmation, that in the early stages of the development of this new approach as set out in this bill that it will have an urban focus and that there are not as many pilot projects being considered as were perhaps possible. You may wish to further comment on that, but I want to thank you for bringing it down to your level as a borrower and a businessperson and just whose needs we're actually going to be meeting with this bill.

Ms Bellan: I'd like to comment on what you say about the teachers. Part of me says that I feel as though there is group in society who feel that everybody's obligated to them. As one who carries a lot of responsibility but seems to have nobody obligated to me—when I ran into difficulty two years ago at the time of the TTC strikes, my sales went down by 70% and I couldn't pay my rent for the first time. When I phoned up the Ministry of Labour and complained and said, "I want you to send these people back to work," I got a whole thing about collective bargaining and the rights of these guys and all that, and I said, "But I'm about to lose my shirt, I'm about to lose everything, I'm about to be thrown on the street and lose my house and all that," and they said, "Oh, no, these guys have their rights."

I think the problem is, as I said, that the economy is everybody's responsibility, and I don't think that certain groups should feel they're entitled to get 70,000 bucks a year, even 30,000 bucks a year, but not have to sink anything in. For me to get what I get out of my business, everything I have is sunk into my business, and I feel as though Ontario is like these people's business, in a way. That's where they get their money and they bloody well should have to put a lot of money in to keep it strong. That's that.

As far as the urban-rural thing, I guess I just took a different understanding of it. I heard—who was it in cabinet?—Frances Lankin and somebody else present it, and when I heard them talk, it sounded so rural to me. I went to a local MPP riding association meeting, and when they went into all the logistics it really sounded very rural-oriented to me. I know that in Manitoba they have the GRO bonds, and that's a very rural thing. I tried to think over the dimensions of actually having it

happen in Toronto: How would you organize committees? Who do I know? Do I call my neighbours together?

Mr Cordiano: They have a real sense of community.

Ms Bellan: Yes.

The Chair: Thank you. Unfortunately, your time has expired. We've enjoyed your presentation.

Ms Bellan: Thank you very much.

The Chair: For the committee members, the Chair would appreciate amendments that we might be proposing on Tuesday morning when the committee next sits. It's not absolutely necessary, but it is a courtesy to other members. It is useful to have distributed both the government and any opposition amendments that they have thought they might put. If not, that's fine, but it's just helpful.

Mr Hope: During the last presentation, an interesting thought went through my head. I remember old

Wiseman, a farmer in my community, telling me something recently, and it just sparked because you were talking about the banks paying in.

I believe a while back governments used to tax banks on business transactions. I'm wondering if there are any calculated numbers of income through that process, because we could use that money to reinvest to help business. It's bridge financing that seems to be the businesses's problem, to get bridge financing during transition. I believe it would be in the Ministry of Finance because I believe it was the province that did it, and it was the Conservatives who removed that tax. I'm just wondering if they have some data about annual income that was coming in on that process.

The Chair: I'm sure that research will see what they can do. Thank you, Mr Hope.

We will see members of the committee Tuesday morning at 10 o'clock.

The committee adjourned at 1206.

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***White, Drummond (Durham Centre ND)**

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Cordiano, Joseph (Lawrence L) for Mr Sorbara

Haeck, Christel (St Catharines-Brock ND) for Mr Morrow

Hope, Randy R. (Chatham-Kent ND) for Mr Dadamo

Jackson, Cameron (Burlington South/-Sud PC) for Mr Arnott

Jamison, Norm (Norfolk ND) for Mr Fletcher

Wiseman, Jim (Durham West/-Ouest ND) for Mr Wessinger

Also taking part / Autres participants et participantes:

Ministry of Municipal Affairs:

 Melnyk, Tania M., director, community development branch

 White, Drummond, parliamentary assistant to the minister

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Standing committee on general government

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Development Act, 1993

Comité permanent des affaires gouvernementales

Loi de 1993 sur le développement
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Tuesday 31 August 1993

The committee met at 1028 in the Humber Room, Macdonald Block, Toronto.

COMMUNITY ECONOMIC DEVELOPMENT ACT, 1993
LOI DE 1993 SUR LE DÉVELOPPEMENT
ÉCONOMIQUE COMMUNAUTAIRE

Consideration of Bill 40, An Act to stimulate Economic Development through the Creation of Community Economic Development Corporations and through certain amendments to the Education Act, the Municipal Act, the Planning Act and the Parkway Belt Planning and Development Act / Loi visant à stimuler le développement économique grâce à la création de sociétés de développement économique communautaire et à certaines modifications apportées à la Loi sur l'éducation, à la Loi sur les municipalités, à la Loi sur l'aménagement du territoire et à la Loi sur la planification et l'aménagement d'une ceinture de promenade.

The Chair (Mr Michael A. Brown): The standing committee on general government will come to order. The purpose of the committee's meeting this morning is to deal with Bill 40, to have public deputations regarding the Community Economic Development Act.

ONTARIO PREVENTION CLEARINGHOUSE

The Chair: Our first presentation this morning will come from the Ontario Prevention Clearinghouse, Bryan Hayday.

Good morning. The committee has allocated 30 minutes for your presentation and the committee always appreciates your allowing some of the time for a conversation with the members, but you are free to use your time as you wish. You may start by introducing yourself and identifying yourself as to your position within the organization.

Mr Bryan Hayday: Thank you, Mr Chairperson and members of the committee. I certainly will balance the time so that unless your questions keep us to the full half-hour, you may in fact gain some more time.

I am the executive director of the Ontario Prevention Clearinghouse and it's in that capacity that I come to you this morning.

The Ontario Prevention Clearinghouse is a charitable, non-profit provincial organization, providing information, consultation and project management expertise in the areas of health promotion, community development and programs which promote optimal child and family functioning within communities.

The clearinghouse is also the trustee organization for a project known as Transitions: Corporate Strategies, which is working with the private sector, non-profit organizations and with the support of the provincial

government to help welfare recipients make the transition to the workplace of the 1990s. It is in the context of these experiences that I would like to comment on the piece of legislation before you.

The significant role played by small business development in job creation in the current economy is borne out in my own organization's knowledge of activities across the province as well as in our market research for the employment project we are operating. So the clearinghouse would certainly like to lend its support generally to the enactment of legislation which supports community economic development in Ontario.

Our reading of the legislation in its current form does raise a number of questions for us, though, when we imagine its implementation. The clearinghouse would therefore ask the committee members to be sure that the legislation addresses the following points. I'd like to speak to these in the order in which I'd like to raise them.

The first point concerns access. During a time when the combined total of individuals on some form of unemployment insurance and/or welfare support represents 20% of the population of Ontario, does the legislation in its current form provide sufficient support and access to individuals who may not have formed a corporation, may not be in a partnership and may not have achieved sole proprietorship status of a small business?

My current reading of the legislation suggests that these prior steps are a prerequisite to access to financial support through the legislation. On the one hand, these safeguards make excellent sense. On the other hand, the steps required to both develop a reasonable small business plan as well as to achieve sufficient legal status to qualify for support require specific skill sets. I would ask the committee members to consider whether there is a role for non-profit community agencies to act as mentors, as stewards, as partners to support individuals who are making this transition to a very different marketplace from the one we've grown up with.

As such, for this legislation to be effective, an infrastructure seems to be needed at the community level which addresses the following:

Entrepreneurship: Entrepreneurship skills in micro-enterprise need to be both taught as well as cultivated and supported. The self-employment development initiative operated through the Ontario Social Development Council is an example of such a program which could be operated on a broader scale across the province.

A further point concerns mutual aid and support. The experiences of self-help groups such as the Metropolitan Toronto Self-Help Clearing House and the Community Skills Exchange program operating in Guelph are two sources, I think, of important lessons on the steps required to help individuals make transitions to increased independence, particularly economic independence.

The third point I'd like to comment on under the general heading of "Access" is community access. Revolving loan funds that organizations such as the Calmeadow Foundation have had experience with should also provide valuable lessons regarding the reduction of stigma, providing support at the community level and focusing on the elegance of simplicity.

If I may divert from my written remarks for a moment, the tone of the legislation at the moment seems to lack the principles of access and simplicity and support for what one might envisage as effective grass-roots mobilization and access to the kinds of skills that would be required to develop reasonable microenterprise operations without some of the usual bureaucratic and/or first-time experiences that might be required. This feels like a piece of legislation that would support people who've been in the marketplace and have had an opportunity to develop skill sets in these areas. It doesn't feel like a piece of legislation which, enacted, would facilitate that as effectively as you might hope for.

My second major point has to do with linkage. The clearing house is concerned with linkages and systems working in harmony with each other where possible. This point concerns linkage with the social assistance reform process.

In the Turning Point document which has been released for consultation by the Minister of Community and Social Services there are major elements which describe the preparation for employment and return to the workplace as key priorities for individuals able to make this transition. Would the opportunity planners envisaged by the reformed welfare system be in a position to act as informed, authoritative connections to the community economic development funds which would be made available through this legislation? Can we imagine these systems working together rather than working separate funding towers, as has been our usual experience of the rollout of programs?

The third point has to do with information and experience. What will the sources be of information concerning effective community economic development enterprises? What are the experiences of previous economic development enterprises, and how will these insights be made widely available across the province? What will the process be for ensuring that there is timely public information regarding the experiences of new enterprises through the community economic

development framework? How can we, in effect, create a learning organization within this pilot, within this rollout, so that we learn from the excellence of others rather than reinvent wheels?

In summary, does the legislation sufficiently address questions of accessibility for individuals who are unfamiliar with establishing a business, developing a business, assessing a marketplace and approaching a lender? Approaching a lender can be a harrowing experience for people who have wonderful credit ratings. It's an experience none of us, I think, relish at any particular time. If we're talking about enabling as much as 20% of the population who have fallen on the margins of the marketplace, rejoining the marketplace with the assistance of the community economic development framework and legislation, what assists are we imagining? What's our vision of this?

The legislation at the moment talks about safeguarding public funds and safeguarding measures and conflicts of interest and restrictions and qualifications, and it feels to me as though it's lacking the principles of enablement that would strengthen it.

Are organizations that are already actively involved with the very groups that would benefit from this economic legislation authorized by this same legislation to act as partners, stewards and mentors? Does the legislation anticipate the implementation of an opportunity planning function within the welfare system to help individuals make a transition from social assistance to the marketplace?

In summary and in closing, our need to safeguard public funds must also be balanced with legislation which supports excellent access systems, small business development expertise, mutual support at the community level and easy access to information. I would ask the committee members then to think about whether or not this legislation sufficiently addresses these questions and whether or not there may be some additional recommendations made regarding the implementation of this legislation by the relevant ministries. I'll conclude my remarks at that point. If there are any questions, obviously, you can choose to direct them to me.

The Chair: Thank you. We will do the questions in rotation, as is our practice.

Mr Bernard Grandmaître (Ottawa East): Most of your questions really are directed to the ministry. I would ask the parliamentary assistant to respond to about 15 or 20 questions about accessibility, and if there are other regulations that are oncoming to make this program more accessible. So you've got about 15 or 20 questions that I'm anxious to listen to.

Mr Drummond White (Durham Centre): The responses to.

Mr Grandmaître: Yes.

Mr White: I think that's a rather daunting prospect.

You do mention a number of issues in terms of the access, the linkage programs. I think, given my own experience and background in social work, I certainly see those as being very valid concerns, especially in terms of the linkage. I know certainly the Jobs Ontario programs in many areas, the linkages are there; they've been established. That's a programmatic issue, though, as opposed to a legislative one.

The access issue you've mentioned as being very important, the legal definitions, the business definitions which you feel might exclude people who need access to those programs: My understanding is that the program will be funded extensively at that level for training, for access to the individuals, both in terms of the setting up of the community loan funds and the CISCs, and also those community loan funds and CISCs enabling the individuals who want to make benefit of a CED, so that education is a very large part of the funding for the program and in fact through that education, that other part of the funding, that is, for the loan defaults, for the provincial guarantees, because of the extent of the training funding and the consultation counselling work that's involved there, the moneys for that other part, which is the provincial guarantees, won't be as large or as necessary. Certainly, the experience in other jurisdictions is that the default rate is at the same level as or lower than with traditional financial institutions.

I don't know if that answers all 15 questions and I'm not quite sure why I took on that task.

1040

Mr Grandmaître: We do have the very same questions. What has been identified this morning is that the legislation that's been, or trying to be, introduced by this government is not responding to the real needs, and I think these are most of your questions about accessibility, sufficient support, all of these things. Had you been consulted by the government before this legislation was drafted?

Mr Hayday: I think some of our views are certainly on public record, so it's entirely possible that information's been available to people. Whether or not we were specifically consulted, I'd have to say no.

Mr Grandmaître: You weren't? And yet you're tied very closely with the government on this issue, right?

Mr Hayday: I think that we have shared aspirations of a well-functioning community economic development function. We were consulted by representatives of the Ministry of Agriculture and Food in the early stages of design on the consultation concerning community economic development. That may have seemed sufficient at the time.

Mr Hans Daigeler (Nepean): Just a quick question. Thank you very much, first of all, for your presentation. I came in a little bit late. Would your organization,

despite the concerns that you have, be possibly involved in helping people take advantage of the provisions of this bill? And if so, how do you see your own organization assisting the objectives of this bill, which frankly I support? I support the objectives of it.

Mr Hayday: Our experience with welfare reform is extensive and has been for the last half-dozen years, and it's in that context that I'll answer the question, if I might. People making a transition from social assistance to the workplace, one of the choices that should be available to them is a self-employment option. A self-employment option should not necessarily have to have as a first step in its incorporation as a sole proprietorship or the development of a partnership or the establishment of a non-profit corporation without share capital. Those are hurdles for people coming off that system that in our experience should not be first steps and they shouldn't be steps taken solo. So I'm not sure that there's a sufficient mechanism in the legislation to allow that kind of partnership to go forward so that those first steps are taken by individuals in a mentorship or partnership or stewardship situation, where there's a handoff at a certain point, when the individual's business plan is sufficiently established.

So our experience around welfare reform certainly, and in listening to people who have been involved in various community economic developments—the Calmeadow experience both in this country and other provinces and in other countries—is that we're not very good at making it possible for people to get a running start. We require them to have a lot of accreditation before we allow them to start. So it feels to me like the balance is disproportionately on the accreditation and permission rather than on the enablement.

Mr Daigeler: And your organization, however, would be willing to assist in this enablement? You could see a role in that?

Mr Hayday: Absolutely. We certainly are actively involved in an extensive pilot, at the moment, with a number of private sector corporations as well as some other non-profit organizations, working specifically with welfare recipients who are trying to make that transition. So we are already in the business.

I'm trying to imagine whether or not this legislation is something that we could work with as full partners or whether or not we'd have to be silent coaches trying to figure out through the back door how to help somebody qualify. It seems to me like any time I have to spend time helping someone get in through the back door rather than the front door, I just made my journey twice as long as it needs to be. So yes, our organization is practically in the business of demonstrating through a pilot project, as well as potentially in the position to disseminate information across the province.

Mr Ted Arnott (Wellington): My first question, I guess, deals with the key point I think you made with

respect to accessibility and simplicity of the program, such as that there's sufficient take-up. We hear from small businesses, repeatedly, existing small businesses, that one of the biggest problems that they feel are obstacles in their way is excessive government paperwork. They spend so much time trying to keep up to the demands of what the government expects them to report that they don't have as much time as they would like to sell their goods or service and keep their business afloat.

I completely agree with you. You didn't quite take it to the next step. Do you think there's going to be a problem in terms of the take-up of this program as a direct result of the accessibility issue as well as the lack of simplicity which is inherent in this bill?

Mr Hayday: The bill doesn't address the mechanisms for take-up, and I think the parliamentary assistant spoke to that, that the implementation is different from the legislation. I'm not sure the legislation anticipates a rollout of the program which would be sufficiently widely accessible. We have offices in every community, we have community information centres, we have child and family service agencies, employment counselling agencies, a number of generic provincial agencies—

Mr Arnott: MPP's offices.

Mr Hayday: —which could be stopping points for this if there was sufficient authority for them to do that. I don't know whether or not there's sufficient authority vested in those offices by this legislation, and that's my concern.

Mr Arnott: I think one of the things I would prefer the government to address is the issue of business regulation, if there were steps taken to streamline those regulations as best they could, or at least if there was a massive study of the existing regulatory framework to see which ones were no longer applicable, perhaps, or outdated.

In Wellington county, we have two offices, actually, that service the Ministry of Economic Development and Trade, and they provide advice to small businesses, and I think that's a really important function. I'm not sure if the government intends to give some of the responsibility for this program to those offices. You're talking about the general-purpose offices, but the Owen Sound office, which serves the north part of the county, I received a memo from the individual who operates that office indicating that he was told by his superior that he should not respond to inquiries from very small businesses, under 10 employees, that he should concentrate his efforts on the larger number. That was something I raised in the Legislature, actually with the Treasurer, but I really feel that the government has to take steps to try and simplify things. If the government thinks it's going to assist in the creation of small business, it has to be very, very simple in terms of its program.

Mr Hayday: I don't know that we have structures

that allow us to take risks quickly and limit our losses quickly. I think we feel that once we've taken the step on venture capital or risk management, having taken one step, we have to go down a whole path, and I don't know whether or not we've got a mechanism for a quick response, a quick rollout and with sufficient early indicators that if the thing doesn't feel viable, we feel sufficient permission to stop. But small business is about windows of opportunity, and those windows of opportunity are not windows of application forms.

Mr David Johnson (Don Mills): I guess my interpretation is that you think this fund should be a little more proactive, that it seems as if it's set up to assist those who have an idea, who have a business in mind, who have a plan, but perhaps is not geared to those who are developing and need that kind of assistance. I wonder if you could be any more specific as to how you could see that working.

Mr Hayday: If I can go back to my figures of 20% of the population dependent upon some form of government cheque as a their principal source of income, we've never had a province where one in five are dependent upon either a federal or provincial cheque as their sole source of household income. We've just never had that. We've never had the level of structural change in the economy that we've got now. You know that and I know that.

But we don't have any models for what to do about that, and we tend to be behaving I think in the rear-view mirror as though we do have models of what to do. We think that community economic development makes good sense. We hear that most of the job creation is coming out of small and medium-sized business. We're trying to imagine what the role should be for the public sector in that. Is this sufficiently proactive? Have we vested authority, for instance, for nominal small business development or business planning expertise in welfare offices? That's a specific recommendation.

At the moment, you couldn't do that without stepping on ministerial toes and bureaucratic jurisdiction and contractual obligations, yet the public, it seems to me, very much wants that kind of integration of function. It doesn't make sense that we should have administration of a support system with one hand and the helping hand from someone else, and they're not available in the same office or from the same person, or that there would be constraints on that.

1050

Mr David Johnson: I just want to make sure I understand you. You're suggesting that some of the administration for this program should be somehow linked in with the welfare system?

Mr Hayday: If that's where 10% of the population is and we're talking about an economic development fund, I would ask, why not? Why couldn't we imagine that?

Mr David Johnson: You've referred to Calmeadow. They made quite an extensive brief to us. One of the points they did raise, and I'd ask you to comment on it, was that they have not been able to be sustainable. That's the word they use; they have not been able to be sustainable. I think one of the points they made was that the administration costs per dollar that is lent are simply too high. I thought that would be the case with the loan fund in particular, and consequently that the loan fund would not be sustainable. Do you have any comments? I think what they're saying is the way it's set up today, it's perhaps a good first step but it won't work in the long run.

Mr Hayday: I think, based on my familiarity with Calmeadow's experiences, and I'm clearly not speaking for them, we're both speaking about them, they have tried to operate in this province and/or in this country without the full, active participation of the public sector. The public sector has a long history of income transfer and dollars transfer and funds transfer to municipalities, to organizations and to individuals. So it seems to me there is an existing infrastructure which is available for purposes of funds transfer and accountability.

Could another layer of skill be added to some of those jurisdictions, to some of those bureaucratic functions, that now also looks at economic development? In the private sector, we talk about vertical job-loading. We talk about flattening the system and adding in other functions to existing departments. We have departments that do funds transfer and audit and accountability and taxation and revenue. Are there mechanisms there to add other skills and a friendlier customer service face for communities? I think that would be addressing part of the nub of Calmeadow's question. If sustainability is when you have to create a whole new system, can you tailor an existing system? It may mean structural reorganization, but the system we've got now isn't working. What do we lose by trying something different?

Mr Jim Wiseman (Durham West): Just to pick up on that point, and you answered the first part of my question with that response, one of the difficulties people do have—I've encountered this in my own office, because I've run seminars on how to start your own small business and what's available—generally, people do come in with a very low level of understanding in terms of what has to be done in terms of starting their own business. The Ontario Development Corp does have books and pamphlets and people to talk and to run seminars and so on.

My question is—I guess there are two things here. One is the amount of time it would take to create this kind of access awareness in one area, and the second one is, the people who are currently doing some of these things, wouldn't we have to bring them up to speed and wouldn't that take time as well? Having

asked those two questions, the third one is, isn't time of the essence?

Mr Hayday: In presentations to other committees I've made the point that the province should not be treated like a single entity and that in rolling out a program we need to figure out what shape cookie cutter to use and to use the same cookie cutter across the province. A concern I'd have is that while time is of the essence, we could call for pilots. We could set out a set of six principles and say, "I'd like to see a proposal for a jurisdiction." Maybe it's Owen Sound, maybe it's Guelph, maybe it's Kenora.

Mr Wiseman: Maybe it's Ajax.

Mr White: No, not Ajax.

Mr Wiseman: Or Pickering.

Mr Hayday: Maybe it's each of your ridings. Are we happier? We could say, "I want to see a limited-risk, six- to nine-month pilot that addresses principles of high accessibility, microentrepreneurship, involvement of the disfranchised, specific hard product, rollout to the customer, and I want to see a business plan for doing that that could get started two weeks after my constituency office calls you and says, 'We're ready to go,'" and in effect have a request for proposals of that nature and not feel as though you had to find one in each of the regions of the province that was exactly the same or sufficiently equitably balanced.

The economy doesn't behave like that. The economy doesn't mirror politics. So when politics gets involved in the economy, it seems to me that we have to take our lessons from the economy. This needs to imitate life more, and that means being much more responsive, much more proactive. I'm not sure if you could—let me say this more positively. If you could make a recommendation to call for that kind of proposal with that kind of political will, shared political will to do something differently, you would surprise a lot of people and you would get some good responses, I think.

Mr Wiseman: I don't want to debate that. I will ask this question, though, and that is that basically the person who would have to be in the office administering and doing what you're asking for would have to be a multifaceted person who has holistic thinking and can follow the strains of thought in a lot of different directions at the same time in order to access the programs and to do what you're saying. It's my experience that we have mostly linear thinkers and people who can only go in one direction at one time and that this creates a huge problem.

Mr Hayday: In which case many organizations have assembled small task forces where the skills that are required in that single individual are at least vested in the task force and the task force has sufficient authority to make a decision about a recommendation. I think there are organizational models to address that. I will

concur with you that we tend to come at a kind of linear block with a linear solution, and it's not going to work.

Mrs Karen Haslam (Perth): I look at this legislation and I see this as having very good benefit to my communities. I come from a rural riding and small communities and I think this is very beneficial. I already know of projects and of groups that are eagerly awaiting this type of tool to help them help themselves in their community. I know of committees that are already formed in the rural areas that say, "This could help us put a more rural context into what we're doing."

Now, you're—and this is in all fairness—interested in the social aspects of the welfare reform and people in the transition time. Do you not see that in communities that can still be done with this vehicle because it's done at a local level? The decisions and the funding for the education aspect is there and the commitment is there to continue to work with the groups that come forward to the CISCs and to the loan funds. The whole idea was that they aren't just saying: "Where's your business plan? See you in six months." The whole idea was that they would be continually working with these people, they would be continually working with the groups or with an individual.

I mean, I like this legislation. I understand where you're coming from. I'm just saying you can't solve everybody's problem and all the problems in the transition time in the welfare. This isn't coming from that aspect; this is coming from a more community development aspect from an MMA source. Can you not see this as being a vehicle that would still answer some of your social questions?

1100

Mr Hayday: We agree that the province is not a homogeneous entity, absolutely. I'm not looking for a single solution rolled out in every jurisdiction, whether it be an inner city neighbourhood or a rural community that has a stronger sense of infrastructure and mutual support. I support going forward with this. I'm asking that it be thought of now.

In those communities where the community development has not occurred yet, where the infrastructure is not present yet, where the state of community readiness is not present, what will the takeup be like? In a neighbourhood that has a very high percentage of recent arrivals to Ontario or individuals who have been involved in a large-scale manufacturing venture and have not been involved in a rural exchange of skills and the mindset that comes with that kind of neighbourhood, will there be sufficient takeup and support for those individuals and does the legislation enable that sufficiently? That's my question.

The Chair: We have completed your time, Mr Hayday. We appreciate you coming this morning. For your information, the committee will commence its clause-by-clause study of this bill tomorrow morning.

ONTARIO FEDERATION OF AGRICULTURE

The Chair: Our next presentation will come from the Ontario Federation of Agriculture, if you'd like to come forward. Good morning, gentlemen. You have the privilege of batting cleanup. You are the last presentation on this bill during the public hearings stage. We appreciate you coming this morning and look forward to you introducing yourself for the purposes of Hansard and then commencing your presentation.

Mr Roger George: My name is Roger George. I'm the president of the Ontario Federation of Agriculture. I have with me today Carl Sulliman, who is our chief executive officer, and Ed Ketchabaw, who is one of our research specialists of the OFA. We do appreciate the opportunity to be here this morning. We don't have a prepared text. We are going to give a short verbal presentation and then attempt to answer your questions.

The OFA, as many of you know, represents over 20,000 farm families across the province and, as such, we have a very real interest in renewed economic activity, particularly in the rural areas. In that light, rural economic development is something that we have been bringing to various governments and cabinets of this province for probably the last eight or nine years. We are somewhat heartened to see, in the last year or two anyway, a renewed attempt by government to finally get something started. I think we've for too long in this province been talking of rural economic development and talking smoke and mirrors, and I think finally we see a little bit of action.

We believe Bill 40 to be a good start. Certainly some of the funding in the programs that have been already announced is clearly limited. I think we recognize that. However, I think they will serve a useful purpose and hopefully go on to be a big part of an economic resurgence in Ontario.

What I want to talk about this morning is I think the big picture. Maybe we can tackle some specifics of the bill in question period, but from our point of view it's the big picture that we're concerned about.

I think we all realize that this province needs new economic development. I think we all realize that we are going through a period, especially in the farming community and the rural communities, of extreme challenges and change, and I think we also realize that life is not ever going to be the same as it was in the 1970s and the 1980s. As we gear up for the next century, we are going to be posed with doing business in the farm community in different ways, and that's fine with us. I think as I travel around the province, I certainly get the sense from my members of a new sense of excitement and entrepreneurship that is starting to come to life. I think it's very important that we keep that flame fanned and that we give rural entrepreneurs, in fact all entrepreneurs in this province, the opportunity to use their creativity to get on and start new businesses,

to reinvest in others, to get into diversification, because very clearly we need to create some new wealth in this province, some new forms of wealth. Some of the old ideas are not working, but I believe that the people of Ontario are the ones to get us out of the economic plight that we're in. In fact the people of Canada will do that too.

It's so important, I think, that we find ways to encourage people to free up some of their savings and reinvest them in their local communities. If the figures that our minister, Minister Buchanan, gives us are to be believed, there's approximately \$62 billion in the hands of rural people, \$62 billion of savings. If we could just manage to get a small fraction of that and reinvest it in local communities instead of being invested on Bay Street and offshore and in Mexico and in mutual funds, get some of that in the rural communities, it would have a tremendous impact on the economy and on the way of life, on the jobs. I think that's where this whole issue has to come from. It has to be the people.

The government by itself is not going to create new wealth. I think the role of government is to create the infrastructure, make sure we've got the roads and the communications systems etc, that we've got the right energy prices, the right business climate, the right tax regimes, and I think government is going to have to maybe find some tax angles to encourage some of these rural people to reinvest their money into their own communities. I think that's important, but it will be the local people who have the ideas.

I think it then becomes very important that if any of these initiatives that we are talking about and that Bill 40 will make possible are actually going to come into fruition, we have to coordinate all the multiministries, all the multistakeholders out there. At the moment I think there is a frustration that when an individual or a group of individuals attempts to do something different, they find themselves in short order up against a roadblock of red tape and that just strangles a good many ideas. The regulatory system strangles ideas, and there can be nothing worse.

We had an example of a farmer who wished to build a small on-farm abattoir, and it took him six months before he ever got a brick laid because he was dealing with four or five different ministries and every one of them had what they thought was a technical reason why he couldn't proceed. That's very frustrating.

We can't be strangling these entrepreneurs with this massive red tape, and somehow government and ministries and bureaucracies and various tiers of municipal government have got to come to grips with sorting out their various regulations and working to coordinate their activities or else none of these things that we're anticipating to happen, in part aided by Bill 40, will happen because frustration will take over.

But there is going to be a need for venture capital. As

farmers, we're looking, as I said before, at some major shifts. We've got trading agreements that are going to have a profound impact on the way we do business, and for many of our farmers, undoubtedly they will not be farming in the same way as they were 5 or 10 years ago. They will be looking for ways to have value added to their product. Venture capital is going to be very necessary. We've got many, many projects being considered across the province for ethanol, these ethanol plants which would use Ontario grains and turn them into an environmentally friendly fuel. They're exciting projects, but they're going to need vast amounts of capital.

Where are we going to find the venture capital to do these sorts of things? Certainly we're hoping that Bill 40 and the proposed programs will be a good start in getting us off on this, but we also are going to have to be looking to the bankers. There's going to be no one-stop shopping when it comes to finding capital and working capital to get all these projects going and to get the rural economy going. We in turn will be looking to our Ministry of Agriculture, and Mr Buchanan has indeed put together three or four components of an agricultural investment program, some innovative ideas which in some ways parallel some of the initiatives of the Minister of Municipal Affairs, but also the federal Farm Credit Corp is going to have a major role, and indeed the banks.

1110

This morning, Mr Chairman, I just left a meeting to come here, and it was a meeting of the Premier's Round Table on Environment and Economy. The chairman of the round table, Jon Grant, asked me to convey to you the importance of involving the round tables in discussions as we work to build sustainable communities across this province.

Again, it comes back I think in large part to clearing some of the regulatory nightmares out there, streamlining government, getting far better cooperation with ministers, interministerial staff—and that is a real challenge for the bureaucrats in my mind. We're in a new partnership; I believe we're in a brand new partnership for the rest of this decade and it will lead us into the next century.

The OFA firmly believes that the farmers of Ontario will have a major role to play in this economic revitalization. We will be happy to continue to advise government on how to structure these programs. We will be critical of some of the aspects of the programs. We see the announced \$30-million programs as pilot projects. Hopefully they can be refined to be more useful in the future because we're not just talking here of tens of millions of dollars. What it's going to take is billions of dollars of new investment in infrastructure and in capital to get the economy going and to get it geared up for the turn of the century.

With that, unless my colleague has any specific remarks, I'm done with my opening remarks. Carl?

Mr Carl Sulliman: Thank you, Roger. I guess from the agricultural point of view—Mr Chairman and members of the committee, thanks for the opportunity to be here—it's of course a very confusing morass of regulation. The statute that you have even before you for consideration is basically an omnibus bill that touches on a variety of ministries of government, a variety of existing statutes of the Legislative Assembly and in, order for us to work our way through that, it takes some effort.

The concern we have is, how is it that the layperson, Mr and Mrs Ontario Resident, who has a good idea—on lot 4 in some concession in some township—is going to be able to translate this morass of programming into the reality of creating a job and creating an economic opportunity for Ontario. That's a very specific question as to how you translate such an enormous enterprise, such an enormous amount of omnibus activity at the provincial level; how do you translate that into a lot and concession number somewhere in a township in the province of Ontario back in one of your ridings, one of your constituencies? That's an issue for us.

From the agricultural point of view, just to underscore Roger George's comments as president of the OFA, if the minister of the crown's statistics are reliable and if in fact we have in excess of \$60 billion in savings and investment instruments currently in rural Ontario by Ontario residents, it seems to us that the government itself has a tremendous responsibility for creating a climate of confidence in which people will actually go out and take some risk with that money and put that money into ventures along with the funds that you, as member of the Legislative Assembly, are looking at here in this committee today by reviewing this legislation.

It's a partnership, but you can't seriously, on the one hand, talk of partnership through such a bold legislated initiative and on the other hand have a Premier and a Minister of Finance and others constantly talking doom and gloom about how difficult the situation is and the fact that even government services have to be curtailed on Fridays and people can't even access their own government because there's this cloud over all of us in terms of the economy. It's not a consistent message.

That's a lot of money out there—\$60 billion—that men and women have saved and worked hard to accumulate and they've got it because they haven't been frivolous about the ventures and the risks and the adventures they get involved in. So there's a tremendous responsibility, it seems to us from the agricultural point of view, for the government to be very clear that this in fact is not a misadventure. This is a very sincere and concerted policy initiative that is attempting, as the ministers of the crown have said and the government

has said—if 70% of these monies are earmarked for rural Ontario, what precisely does that mean?

There are a lot of amendments here to existing statutes to allow public corporations to do new things, but where do Mr and Mrs Lot 4, Concession 6, in your township, in your riding, access this and where do they fit in? That's a major challenge for us. Certainly as a partner in rural prosperity, the Ontario Federation of Agriculture is willing to work with all members of the House, all parties of the House, to ensure that kind of prosperity and that opportunity for Ontario because we live in those communities. We live or die in those communities.

You only need to talk to groups like the Ontario Retail Farm Equipment Dealers' Association to understand the rationalization that's taken place there; the fact that some of our farmers now are driving 100, 150 kilometres to access the kind of farm dealer they need. Those are very basic infrastructure questions for people who are entrepreneurs at the primary agricultural level. Rural child care, the kind of patterns of work that people on the farm have and the patterns of work that people have in rural Ontario, providing the infrastructure for child care in rural Ontario—that's a part of economic development. You either put that in place to allow the prosperity to take place or you don't and if you don't, it's smoke and mirrors. There will be no prosperity, people will continue to salt away their hard-earned money and the venture doesn't work then, the partnership doesn't work. A great idea will not succeed then because of it.

So we are most anxious to see it succeed, we are most anxious to work with men and women of the House of all parties to ensure that your constituency, our members, our neighbours, our friends, have an opportunity. I might say that the Ontario Federation of Agriculture, representing a farm population, is the cornerstone of the agribusiness economy. That's \$50 billion a year in the province of Ontario alone, the second-largest sector of the economy after transportation. So it's a serious matter. How does this statute translate to lot, concession and township?

Mr Arnott: Thank you very much for your presentation. Thanks for coming in. You're the most important voice for rural Ontario, not just farmers, and you've spoken to that today. Farmers are increasingly business people as well, they have to be to survive. The Canadian Federation of Independent Business recently did a study, a survey, and it indicated that the second most difficult problem facing small business people was excessive regulatory burden. I want to ask you, how often do you hear from farmers complaints about that particular problem?

Mr George: There's no question that it's prevalent. I think we in agriculture have not been without guilt when it comes to putting regulations in place. I think

some of the regulations we have in agriculture are now anachronisms and they are being changed. We are going through quite a deregulatory process, certainly at the federal level. I think I gave one example.

But we have had far too many people in there to attempt to regulate progress. It's going to become very frustrating if a farmer, as an example, wishing to diversify and maybe put up a small processing plant or a welding shop or whatever, is going to employ 15 or 20 of his neighbours, only to find that (a) the local municipality says, "Well, sorry, this isn't zoned for this," and (b) you've got the Ministry of Labour and the Ministry of Environment and Energy and the ministry of everybody else on his doorstep with 1,001 petty regulations—and I say "petty" regulations; clearly there will be the need for regulations to safeguard the environment and whatever and we must make sure that what we do is compatible with the environment, but at the same time, we have to get that better understanding between ministers. I've had a number of examples, too lengthy to mention, where there's very clearly no understanding between a particular ministry and the work that farmers do and that becomes a fundamental issue, I think, for government and bureaucrats to sort out.

1120

Mr Arnott: There are obstacles to economic development. Clearly, one of them is difficulty in getting capital financing, and this is what this bill purports to address. Clearly, one of the major obstacles is excessive regulatory burden. I think that's something the government has to address, which this bill doesn't touch at all. In fact, we heard earlier this morning that it may be very complex for a lot of people and the takeup to the program may suffer as a result.

You talk about the amount of money that's stuffed in mattresses in rural Ontario. It's a significant figure if that estimate's correct. I don't know how that estimate was generated, but I'm sure there is a significant amount of money in those very safe, small-c conservative investments.

If this program goes through, I anticipate within the next year or two I'll start getting calls from retired farmers, say a retired farmer who maybe has \$500,000 in liquid assets as a result of the sale of his farm, for example. He may come to me and say, "I've got \$250,000, half my nest-egg, to invest in this program." Because this is an alternative financing mechanism, there's a possibility that the banks wouldn't touch it, private investors wouldn't touch it, venture capital wouldn't touch it, so the concern sets up this corporation and it may be a risky proposition. What do I say to that retired farmer who is asking my advice as to whether he should invest a significant portion of his nest-egg in one of these enterprises?

Mr George: I don't think you should suggest that he

dump the whole lot in there, that's for sure. I think risk goes with the individual. What I consider to be a risk and what you may consider to be a risk are probably two different things.

Mr Arnott: But there are relative degrees of risk. A guaranteed investment certificate is fairly safe.

Mr George: Absolutely. I think you made a comment about capital being difficult to get. Well, credit is a coward. It is always going to seek the safest haven, especially commercial credit. We're going to need those government guarantees such as are proposed in this legislation. We're also, I think, going to need some tax incentives. We in the farm community for years have spoken about an agribond, where we saw some incentives for retiring farmers to lend their money back into the industry.

I'm not a technical expert, but I really believe there are some options that can be explored to make your constituent feel a lot happier, starting off with a relatively small investment to see how it goes. Once the rural community started to get the sense of investing money in their local community rather than GICs on Bay Street or wherever, then I think they would get some pride in that. I think the management of these projects would be better and hopefully we would get a new type of commitment back to our communities.

Mr Norm Jamison (Norfolk): Thank you, Roger. It's always good to see you and certainly good to hear your presentation. I thought you made some very valid points. One is that the farm community as we know it really is going to change whether we like that or not. You have to look at value added, and when you look at value added you have to look at investment in that avenue.

Some people have come before this committee, Roger, and basically complained that this bill is more beneficial to rural Ontario than it is to urban Ontario. I had to really chuckle inwardly, when both of us realize that job losses in rural Ontario are felt much more severely than in major centres, in smaller job losses, that is.

This bill really allows, in my opinion, the input or the local decision-making to take place by people within the community. I believe that's an important aspect to rural development. For eons now, decision-making has come from here on economic thrust. When we talk about developing a climate of confidence, I think that plays a part in it, having people who are known and respected locally making decisions. People will be confident to know that their community is being strengthened and that their community is being strengthened in that light.

I know that Mr Arnott has just mentioned about the paperwork. We take that very seriously. We're well into the process called clearing the path, which will affect small business tremendously in a positive way in

reducing paper burden. I think that will have its spinoff to the rural setting as well.

Having said what I've said, I think we can say that anyone can find flaws within a bill, and it's not going to be a perfect kickoff. I don't think there's been a perfect program presented at any level of government, and it's certainly part of the responsibility of the opposition to point those things out. But I believe personally that this is, as you said, a very good beginning to allowing that untapped wealth in rural Ontario to show itself in a meaningful way.

Mr George: My only comment would be again to say that you cannot do these particular projects that have been announced so far in isolation from everything else that's going on around you. There has to be a good understanding of this concept of rural economic development, and I think that's going to take an awful lot of communication. We were struggling this morning around the round table with what type of communication strategy we might want to get out there, because I don't think some of these concepts are well understood by people, and I think we've got probably a lot of little groups that are working away in isolation of what might be available to them. I think that becomes a role for all us, including the general farm organizations like the OFA.

The Chair: Ms Haslam, briefly.

Mrs Haslam: I was brief the last time.

The Chair: You always are, you tell me.

Mrs Haslam: I'm in a particular spot here. I disagree with some of your concerns. As you know, I come from a rural riding and I'm very active in the rural caucus and in rural issues, and I disagree because I see this as being very beneficial. I know it's going to be beneficial because I see the activities in my communities already involving the rural people, involving the farm communities, involving them in coming up with programs to help the farming community, to help the rural community.

What I see this act doing is putting in place the tools to allow those programs to be funded, because when you look at this program, it's going to be looking at those who are traditionally not going to be able to get the money from the banks. We know that, in particular, farm operations often have difficulty going back to the bank for an expansion of the farm or for an expansion of their business of farming. I see this as being beneficial because of the way it's set up on more of a community level.

The other issue you brought forward was relating back to lot 4, concession 3, and how you relate back to where they're going to have an input in this. I see, because it's more community-oriented, because it's made up of the community people, because the corporation is going to be looking at a more local level, that

you are going to have that input. You are going to be able to get those funds and the fund-raising done at a local level. It's much easier to access funding of those local programs than it is to say, "Please give money to a provincial program to put back into a local project."

I agree with you that there may not be an understanding of agricultural or rural issues at a Toronto level of ministry, but that's why I'm very pleased to see this type of program, because the decisions are going to be made at the local level and at the community level.

So I question some of your concerns around relating regarding funding, because I really see this as very beneficial, especially in my riding. I'm looking forward to it coming forward. I'm just not sure why you're so adamant that this will be a problem of relating when it's done on a local level.

Mr George: I hope you didn't misunderstand me.

Mrs Haslam: I never misunderstand.

Mr George: I didn't think I was being overly critical of this act. Now, if you want me to get into some specifics, I could get fairly critical. I don't think that the two components announced are going to help production agriculture very much indeed. That's just my reading of the specifics, but I don't really want to get into that today and debate that with you.

1130

I think, as you say, it is important that we have got things going on at the local level. I'm just suggesting that we've got to get a lot more streamlined in taking those things forward. I just think there is a degree of chaos out there at the moment at the local level, people not knowing where to go to access some of these programs that may be available, either made available through this bill or through other mechanisms, and there are a host of things out there.

Mrs Haslam: So is your suggestion perhaps that it's better communicated?

The Chair: Mr Grandmaître.

Mr Grandmaître: I agree with you that Bill 40 is only a backdrop to a better stage later on. The additional parts to this backdrop are supposed to come through regulations, and we don't have the regulations before us so it's very difficult for us to say, "Look, this is going to be a great program." This is why so many of us have so many questions. Again, we haven't seen the regulations.

Let's talk about rural Ontario and the Planning Act at the present time. I know that you people are adamant about what's going on in rural Ontario as far as official plans are concerned, zoning, and what's permitted, what's not permitted. Do you think that you've been successful in the last three, four or five years to get your dreams, let's say, reflected in the Planning Act, that rural Ontario is permitted to do more today than five or six years ago?

Mr Sulliman: With great respect, I think the member likely knows the answer to the question already.

Interjections.

Mr Sulliman: Nevertheless, we'll help you with it.

The answer is a yes and no, what Sean Conway would call a definite maybe. You participate in these consultations and you do so presumably with some integrity and all that sort of thing in the planning process, and we talked to John Sewell and company. And while we're at the dance having a great time, waltzing around the ballroom, they're at home ransacking the house, grabbing some more farm land and putting it into the city of London, the largest land grab in the history of the province.

Mr Grandmaitre: Yes, 94,000 acres.

Mr Sulliman: It's those kinds of issues. It's important to understand that as you're planning for rural Ontario, you can't use a cookie-cutter approach, and when you're planning the economics of it, Ms Haslam's riding, an area of Ontario, may be quite different than Mr Conway's. We've got to allow for that kind of flexibility in planning in the province of Ontario to generate rural prosperity and rural economic development. That's the issue, and when you take that cookie-cutter approach or mentality, it becomes quite troublesome.

Notwithstanding that you've got to have environmental integrity and all that sort of stuff, it's like this bill refers in some of its appendages to ensuring that all the equity groups have access. The operative word in the equity groups for me is not "groups," it's "equity." And what's the equity here? The equity is the opportunity to access economic activity, to prosper in an environment: for all groups to prosper, whatever their concern or their investment or special interest, or whatever it is they want to do. And so the operative word is "equity" again, in planning, in economic development and all those things. We could take flight on this one, Mr Chairman. We have 14 million acres of the finest land in this province represented at the table here.

To put that in perspective, by the way, just as an anecdote, in the recent flooding along the Mississippi, 16 million acres of farm land was under water. In Ontario, if you took every single farm and put it under water, that still would only be 14 million acres. It shows you the level of devastation in the United States that those farmers faced.

The Chair: The time has expired. Thank you very much, gentlemen, for appearing before us. As I mentioned earlier, the clause-by-clause on this bill will commence tomorrow morning. It is the hope of the committee that we will be able to report this bill for the fall session.

Mr George: Thank you, Mr Chairman. We wish you well in your deliberations.

The Chair: Before members leave, I would like to indicate to members that the government has furnished us with copies of the amendments that it intends to present tomorrow morning. I would urge all members who have amendments to make to provide us with copies at the earliest possible moment. I understand also that the government may have some additional amendments that are now being drafted.

Mrs Haslam: Are we the only ones with amendments? Are there any other amendments coming forward that we could look at before tomorrow morning?

The Chair: Ms Haslam, I have asked all members of the committee to furnish us with amendments.

Mrs Haslam: I'm just asking that we come in here for clause-by-clause tomorrow morning, and if there are amendments, it would be beneficial to look at them before we come in tomorrow morning.

The Chair: I'm sure all members of the committee agree with that thought.

Mr Randy R. Hope (Chatham-Kent): Because we're considering clause-by-clause tomorrow and I know I've asked the work of the legislative researcher to find some material, I'm wondering, is that material going to be available?

Clerk of the Committee (Mr Franco Carrozza): It's been given.

Mr Hope: What's been given? I have a document here about an impact.

The Chair: Permit the researcher to answer.

Ms Anne Anderson: The ministry has provided the response to one of your questions, I think, which is one of the documents you have in front of you. The other one, I'll have for you tomorrow morning.

Mr Hope: Okay, thank you.

The Chair: With that, the committee will be adjourned until tomorrow morning, 10 am, for clause-by-clause consideration of this bill.

The committee adjourned at 1136.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

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 Morrow, Mark (Wentworth East/-Est ND)

 Sorbara, Gregory S. (York Centre L)

 Wessenger, Paul (Simcoe Centre ND)

*White, Drummond (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Conway, Sean G. (Renfrew North/-Nord L) for Mr Sorbara

Haslam, Karen (Perth ND) for Mr Fletcher

Hope, Randy R. (Chatham-Kent ND) for Mr Morrow

Jamison, Norm (Norfolk ND) for Mr Wessenger

Wiseman, Jim (Durham West/-Ouest ND) for Mr Dadamo

Also taking part / Autres participants et participantes:

White, Drummond, parliamentary assistant to the Minister of Municipal Affairs

Clerk / Greffier: Carrozza, Franco

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Third Intersession, 35th Parliament

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Troisième intersession, 35^e législature

Official Report of Debates (Hansard)

Wednesday 1 September 1993

Journal des débats (Hansard)

Mercredi 1 septembre 1993

**Standing committee on
general government**

**Comité permanent des
affaires gouvernementales**

**Community Economic
Development Act, 1993**

**Loi de 1993 sur le développement
économique communautaire**



Chair: Michael A. Brown
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Wednesday 1 September 1993

The committee met at 1006 in the Humber Room, Macdonald Block, Toronto.

COMMUNITY ECONOMIC DEVELOPMENT ACT, 1993

LOI DE 1993 SUR LE DÉVELOPPEMENT
ÉCONOMIQUE COMMUNAUTAIRE

Consideration of Bill 40, An Act to stimulate Economic Development through the Creation of Community Economic Development Corporations and through certain amendments to the Education Act, the Municipal Act, the Planning Act and the Parkway Belt Planning and Development Act / Loi visant à stimuler le développement économique grâce à la création de sociétés de développement économique communautaire et à certaines modifications apportées à la Loi sur l'éducation, à la Loi sur les municipalités, à la Loi sur l'aménagement du territoire et à la Loi sur la planification et l'aménagement d'une ceinture de promenade.

The Chair (Mr Mike Brown): The standing committee will come to order. As members would know, we have completed the public depositions stage of considering Bill 40. It's of note that we heard every presenter who wished to present to this committee, and that is always something that the committee deems to be a good goal. This morning we will commence with clause-by-clause consideration of the bill.

I would bring to members' attention a number of papers that I have before me. First we have one from Anne Anderson, our research officer. She has researched a request that Mr Hope made, so you will see that in front of you. You will also see from the researcher an updated summary of recommendations from Bill 40 that she has also prepared. And there is a letter from the office of the chairman of Metro Toronto, Mr Tonks, requesting to make input at a later date. That's just for your information.

Mr David Johnson (Don Mills): Can I just ask a question on that? I think the Association of Municipalities of Ontario is also setting up a committee to have a look at this bill. If in fact they proceed with that, they will probably want to pass along their thoughts at a later date as well. How does that information from Metropolitan Toronto and from AMO get incorporated into the whole process?

The Chair: Of course, as the committee is scheduled to begin clause-by-clause consideration today, we will proceed with that, according to an agreement by all parties. However, there is an opportunity for any presenter or anyone else who wishes to make suggestions with regard to that bill to the government and to the critics of both opposition parties, and to any other

members, as a matter of fact, who may have an interest in this bill, because there is still the committee of the whole stage to go, where amendments can be made, and there is of course third reading debate to come. So there's still an opportunity for changes after today or tomorrow, whenever we complete the clause-by-clause.

Are there any further questions regarding the bill before we actually start the clause-by-clause consideration? If not, we shall start.

I think all members should also have copies of the government amendments that have been proposed, the amendments of the Liberal caucus and the amendments of the Progressive Conservative caucus. If anyone does not have those amendments before them, let the clerk know and we will distribute those for your information.

We'll start by considering the contents as we go. The first amendment I see is a government amendment, subsection 1(1), dealing with equity capital. Mr White, would you like to make a motion?

Mr Drummond White (Durham Centre): I move that the definition of "equity capital" in subsection 1(1) of the—

Mr Bernard Grandmaître (Ottawa East): Mr Chair?

The Chair: Order. Yes, Mr Grandmaître? Mr White will move it, and then we will—

Mr Grandmaître: Well, I don't have it. Have you got it, Dave?

The Chair: Fine, well, we'll have the motion. Mr White, if you'd just make the motion.

Mr White: Thank you, Mr Chair. Perhaps I could pause while the official opposition find their copies of the amendments.

The Chair: If you make the motion, then we'll deal with making sure everyone knows where we're at.

Mr White: Again, I move that the definition of "equity capital" in subsection 1(1) of the bill be struck out.

The Chair: Now, is everyone certain where this amendment goes? Are there any problems? Still looking for it? Let's find where we are. It's a little confusing because there are not a great deal of numbers in this section of the bill. Has everyone found where we are supposed to be?

Mr Grandmaître: No, not yet.

The Chair: Not yet. We'll pause for a moment. In essence, we're just asking that a clause be struck out here. Is everyone understanding where we are? All right. Now, an explanation of your motion, Mr White.

Mr White: The term "equity capital" is only used in section 12, and the meaning of the term is rephrased in that section. Therefore, the definition in subsection 1(1) is no longer necessary and is to some degree confusing.

Mr Ted Arnott (Wellington): Are the definitions the same in the two sections you made reference to?

Mr White: I'm sorry. Can I consult with legal counsel on this? Mr Loken?

Mr James Loken: Yes. Oh, sorry, no. Not exactly.

Mr White: Mr Loken, would you clarify that?

The Chair: Would you identify yourself for the purposes of Hansard?

Mr Loken: James Loken. Could I have your question again, please?

Mr Arnott: I'm wondering if it's being deleted because it's redundant or because the two definitions of "equity capital" are different.

Mr Loken: No, we're not deleting them because they're completely identical, but we want to avoid too many complex terms in the act that have a similar sound to them so that the ordinary person would be confused if it's not necessary.

The Chair: Further questions or comments regarding Mr White's amendment?

Mr David Johnson: Mr White indicated that there was a similar kind of term that was used in section 12, in clause 12, but that it was redefined at that point. Now, is that the government amendment that occurs about half a dozen pages later with regard to clause 12?

Mr Loken: We are not redefining the term; we are rephrasing the term to have the exact same meaning so that we can use a similar term elsewhere.

Mr David Johnson: Now, is the similar term "equity share"?

Mr Loken: No, the similar term is "equity."

Mr David Johnson: Now, is that clause 12(1)(a) and (b) about—too bad these pages aren't numbered, but about the seventh or eighth page in?

Mr Loken: That's correct. We're deleting that term.

Mr David Johnson: But I'm looking at the amendments. So the definition of "equity" occurs in the original bill or in the amendments?

Mr Loken: The definition occurs in the original bill. We are adopting the essence of the definition and putting that in the amended subsections of 12 so that the term will not be used in the act because it is so closely related to the word "equity," and that being perhaps confusing.

The Chair: Further questions or comments?

Shall Mr White's amendment to subsection 1(1) carry? Carried.

Further questions or comments regarding section 1? Mr White, I see you have—oh, (d.1) first.

Mr Grandmaître: I move that the definition of "sponsor" in subsection 1(1) of the bill be amended by adding the following clause:

"(d.1) a business development centre established under the federal Community Futures program."

The Chair: Do you have an explanation?

Mr Grandmaître: What this amendment does is that I believe the BDCs are not identified as sponsors, and yet BDCs are doing the same thing as this bill proposed to do. I would like to move this amendment so that it would be understood that a sponsor could be a BDC.

The Chair: Further questions or comments?

Mr Randy R. Hope (Chatham-Kent): Well, I take it the federal Community Futures program is a non-profit organization, and if a community feels that it's worth its value, they will have the right under the legislation. You just don't have to name them; you can name any non-profit. They are a non-profit organization and they'll have the right if a community feels that they are an appropriate agent to be the sponsor of the program in the community. I don't see where the amendment allows any value other than to name.

Mr Grandmaître: Well, the fact that BDCs are a federal program, I agree with Mr Hope. This is why I want these people to be included. I realize it's a non-profit organization, but it's a federal organization and I want to make sure that they're included.

Mr Hope: Well, what if a community feels the value of their services in that community in doing the mandate of this program does not warrant, that they believe that a different identity ought to do it? Are you eliminating the choice of the community that wishes to stay away from that group?

Mr Grandmaître: I'm simply adding. I'm not deleting anything; I'm simply adding.

Mr Hope: It's redundant. It's useless.

Mr Grandmaître: Well, vote against it, then.

Mr Hope: I will.

1020

Mr Jim Wiseman (Durham West): I'd like to ask a question and it has to do with the business development centres. One of the presentations that was made, and I forget the presenter, indicated that the federal government was thinking of moving away from community funding to funding large corporations and large businesses, as opposed to the small and medium-sized ones. I'm wondering, if we were to do what Mr Grandmaître suggests, if we were to put that in, would the province then be required at some future date, when the federal government withdraws its support from these BDCs, would it then be compelled to have to pick up what it has withdrawn if we put it in the legislation? I would be very hesitant to want to put it in the legislation unless that question is answered.

Mr White: What you're suggesting, Mr Wiseman, is that by specifically mentioning this program, it creates a link that is not in existence between this program and other non-profit corporations or other cooperative corporations without share capital, as is already mentioned in the definition of "sponsorship." You're suggesting that by that, there's an implied responsibility for the activities of those corporations. Is that it?

Mr Wiseman: That's part of it, exactly. The federal government has clearly indicated that it is thinking of withdrawing. Would we then not have to take up that responsibility ourselves and have no choice because it's in the legislation?

Mr Grandmaître: Mr Wiseman has picked up this information about the federal government getting out of the BDCs. I don't know where you've picked this up.

Mr Hope: It's been known for a while.

Mr Grandmaître: They have been talking about it but it doesn't mean they're going to do it.

The Chair: Order, please. This works a lot better if we just have one member at a time.

Mr Wiseman: My speculation on this comes from two—

Mr Grandmaître: Let's not speculate. Let's deal with the legislation that's before us.

Mr Wiseman: I will not support putting anything in this legislation that has a huge question mark at the other end, especially with reference to the federal government, which we know has been turning its back on Ontario in terms of investment for the last eight or nine years.

Mr Grandmaître: Look, that's another issue.

Mr Wiseman: Since you pushed me.

Mr Grandmaître: I don't think we're here this morning to talk about the federal government, what it's done and what it hasn't done in the last eight or 10 years. I'm concerned about the legislation that's before us. At the present time, BDCs do exist and that's why I want them included.

Mr David Johnson: I was just wondering if staff would comment on this. It seemed to me to be a friendly amendment in the sense that it simply expanded the eligible sponsors. If the BDCs are there, they're there; if they're not, they're not. Who cares, in the sense of this bill. Does the staff have any concern if the BDCs are added as another potential sponsor?

Ms Tania M. Melnyk: It is a bit of a concern, because it designates one potential group of sponsors over others. As Mr White has already said, the need for it is not necessary because they are already covered under clause (c), which talks about corporations without share capital; that is, non-profits. They are non-profit corporations, so there is no problem with them being

sponsors. It just raises the question, why not designate other groups as well? Potentially, if that program is cancelled, it leaves something on the books that isn't necessarily timely.

Mr David Johnson: How do you mean?

Ms Melnyk: If that program were cancelled, you'd have sort of an obsolete program on our legislation.

Mr David Johnson: You'd have an obsolete entry in the bill, I guess.

Ms Melnyk: No, it wouldn't be. A corporation without share capital could be any other group, any non-profit corporation that is in existence.

Mr David Johnson: The amendment that's proposed is that sponsorship be extended to include a business, a specific entity, and that's your problem, because it's already covered. That would be similar perhaps to saying that the city of Toronto could be a sponsor, whereas a municipality is already there.

Ms Melnyk: Yes, or under clause (d), a cooperative corporation designating a particular cooperative group. It would be analogous to that kind of a change.

Mr David Johnson: So it's perhaps in that sense a little bit untidy, but I don't understand what sort of damage it could do. Are there any specifics?

Ms Melnyk: It's not a specific concern, it's an issue of why designate one group and open oneself up to potentially providing a linkage and some sense of preference perhaps to that group over others.

Mr David Johnson: You've used the word "linkage." I don't quite understand how there could be any linkage any more than we could assume any responsibilities for any programs that the city of Toronto might incorporate or the city of Sudbury or any city you would care to name under here. Do you honestly think that by specifically mentioning the BDC, somehow we would assume any of the obligations of the BDC itself?

Ms Melnyk: I honestly think that if only that one group were specified, and not a whole list of potential groups, it would leave a suggestion that there is some kind of preference or priority being given to that one group and not others.

Mr Hans Daigeler (Nepean): I just simply want to clarify, and I think Mr Johnson has already, that this doesn't obligate the government to enter into an agreement with the BDC. It simply provides, as was requested by the presenters—I think we should not forget that the group that did come felt that it was important for them to be included in this and that's the purpose of these hearings.

Whether in the future this is going to be an obsolete section, we have many obsolete sections on the books so I'm not worried about that at all. I'm simply responding to an excellent presentation that was made by the BDCs. They feel it would be a good thing to be

included and therefore I think we should move that and vote on it.

Mr Norm Jamison (Norfolk): Simply put, this proposal is redundant. The BDCs are included and I don't believe anyone should receive preferential mention in the bill. I know that locally, and I'm already talking to the people there, certainly, because of the experience, good and bad, that they've had in the same areas, but it's redundant—why add language to a bill that it is not necessary to put there?

Mr Grandmaître: A question, Mr Chair.

The Chair: You're on the list. Mr Mammoliti.

Mr George Mammoliti (Yorkview): I think most of the things I wanted to say have been covered, but what I do want to talk about is language and how language in acts and language in policies sometimes creates more havoc and more problems than originally set out to create.

I think we need to be careful with language and I think this proposal might create some havoc out there if accepted and might create a sense of misunderstanding to a lot of the other groups that would be neglected if not put in as well. So I think we need to be careful in terms of how much language we put into this piece of legislation and others in the future. That's the only other point I wanted to raise.

Mr Grandmaître: It seems like some members are—when you mention the BDC program, everybody gets uptight. I know my friend across feels a little uptight. I'm talking about under the federal Community Futures program. I have a question: Is there another federal non-profit program that can be tied in with Bill 40? Name me one.

Mr Hope: The federal government?

Mr Grandmaître: The federal government. This is why my amendment says, "federal Community Futures program," and that involves a number of programs. Right? So forget about the BDCs. I'll take this back. But at least involve the Community Futures program.

1030

Mr Hope: I've listened to the comments made and why I'm bringing the issue up and I feel it's redundant is that I heard a lot talked about rural communities and about municipal identities and choosing their own destination. Let's say this did go in the legislation. I'll use my own riding for an example. There's only one Community Futures program which covers all of Kent county. If you start putting that into the legislation, what you do is you allow a mechanism to play the strong-arm approach to smaller municipalities. Because you've identified—listen, and listen very carefully—the program in the legislation, it allows the strong-arm to say: "Well, why create another one? Put it in here." You don't allow those smaller municipalities like the town of Dresden or the town of Wallaceburg, which

want to start their own economic development and prosper through their own moneys and bringing their own moneys into their communities.

You're talking about people investing. People who live in Wallaceburg won't want to invest in the city of Chatham because there's no social return that is there. To identify this program specifically, and I take it from a rural perspective, is a Kent county focus. It's a county focus. When you do that, what you do is you allow the political tools of opportunity to prevail in communities, and I don't want to see that happen. They already identified it as a non-profit organization. They then fall into the non-profit status under clause (c), and it's plain and simple.

If there's another federal program out there—you're asking the bureaucrats here if they know of any other federal programs. How many know what's alive and what's dead in the federal government? I sometimes wonder if the members are even there. But the thing is, what you do is you allow the community to take that initiative on, not just because—you know, it's a nice amendment. Yes, you're right, it's a friendly amendment, but we might as well start naming everybody else who has all the other programs and even provincial programs that are currently established or even municipal programs that are currently established or even non-profit groups that are out there that are currently established providing economic renewal into our community.

I know Bradley in my community has a foundation that's already been established which is non-shares. We might as well name them too. So we'll name everybody. We have one simple line that is very simple to everyone, which is (c), which is very clear, and if people choose in their communities to align themselves with one of the identities that are already in existence, then let them do that. Don't let us provoke it through legislation and allow an opportunity by describing them in the legislation.

Mr Grandmaître: I want members to get this straight. Everybody can become a sponsor—municipalities and everybody else, they're all included—except what I am saying is that the federal Community Futures program is not or cannot be a sponsor. Am I right or wrong?

Mr Hope: You're wrong.

Ms Melnyk: They can be a sponsor.

Mr Grandmaître: They can?

Ms Melnyk: The BDCs can be a sponsor. They are non-profit corporations, so they are not excluded right now.

Mr Grandmaître: So as to my amendment, by saying "under the federal Community Futures program," you're telling me, like everybody else, that it's redundant, that they are automatically part of this bill.

Ms Melnyk: Yes.

Mr Grandmaître: The Community Futures programs can be sponsors?

Ms Melnyk: Yes.

Mr Grandmaître: We've wasted a lot of time, Mr Chair.

Mr David Johnson: And here I was sticking up for you.

Mr Hope: You're sticking up for Liberal morals.

Mr Grandmaître: I think if the front desk would have told me—

Interjection: We did.

Mr Grandmaître: No, not exactly. Everybody was hung up on BDCs.

The Chair: Order.

Mr White: We specifically referred to the definition, Mr Grandmaître, but regardless—

Interjection.

The Chair: Mr White has the floor.

Mr White: I would suggest that there are a couple of problems with the motion. As Mr Grandmaître says, it is potentially redundant. The other problem is that with new federal programs, if one federal program is mentioned, it by implication excludes an involvement with other federal programs that are set up for similar purposes, as has been recently suggested by the Prime Minister. We hope that that federal program that she mentioned will sustain itself beyond her summer job.

Mr Grandmaître: Can we call the vote, Mr Chairman?

The Chair: Further questions/comments on Mr Grandmaître's amendment to subsection 1(1)?

All in favour? Opposed? All in favour, would you please raise your hands? Opposed? The motion is lost.

The Chair has a question regarding clause (f) of the same section. It says "a community group." What's the definition regarding community group?

Ms Melnyk: It could be a group of interested individuals who are concerned about doing something in their community and are prepared to come together and create a non-profit corporation that then would create a CISC or a loan fund.

Mr White: That might be a church.

Ms Melnyk: Or people from a church.

The Chair: Will this be defined further in the regulations? Thank you.

Are there further questions or comments dealing with clause 1(1)(e)?

Mr White: With regard to subsection 1(1) of the bill, "sponsor," I move that the definition of "sponsor" in subsection 1(1) of the bill be amended by striking out clause (e) and substituting the following:

"(e) an aboriginal community group, including a

council of an Indian band within the meaning of subsection 2(1) of the Indian Act (Canada), or"

The Chair: An explanation, Mr White?

Mr White: The wording has been changed to be more inclusive. It allows aboriginal groups other than band councils to sponsor CED corporations. As we know, at the moment there are a plethora of different community groups which represent bands and native peoples, particularly people, say, in an urban community who may not be being represented by a band council.

The Chair: Would that not be included in (f)?

Mr White: They could have been accommodated under (f), but it would be more inclusive to have them included under (e) as well, and the wording was recommended by the Ontario Native Affairs Secretariat.

The Chair: Questions/comments on Mr White's amendment?

All in favour of Mr White's amendment? Carried.

Shall section 1, as amended, carry? Carried.

We're on section 2. We will deal with subsection 2(1). Questions, comments or amendments regarding subsection 2(1)? Shall subsection 2(1) carry? Carried.

1040

Mr White: I move that subsections 2(2) and 2(3) of the bill be struck out and the following substituted:

"(2) The Securities Act does not apply to the issuance of shares by a corporation pursuant to a transaction in which a community investment share corporation invests in the corporation, but any trade in shares issued pursuant to such transaction, other than as contemplated by subsection (3), shall be deemed to be a distribution under the Securities Act.

"(3) The Securities Act does not apply to,

"(a) the conversion or other exchange of shares of a community investment share corporation for shares of a corporation in which the community investment share corporation has invested;

"(b) the conversion or other exchange of shares of a community investment share corporation for shares of another class of the community investment share corporation;

"(c) the conversion or other exchange by a community investment share corporation of shares in a corporation in which the community investment share corporation has invested for shares of another class of that corporation; or

"(d) any acts by a community investment share corporation in furtherance of a transaction described in clause (a), (b) or (c).

"Deemed distribution

"(4) Any trade in shares acquired as a result of a conversion or exchange of shares described in clause (3)(a), (b) or (c) shall be deemed to be a distribution

under the Securities Act.”

The Chair: Mr White would no doubt have a simple explanation for that.

Mr White: Would that I did. I would, however, refer to counsel.

Mr Loken: The substance of the amendment is really only to change the processes already set out in subsection (3) concerning the exchange of shares and to extend the ambit of it to accommodate another method of doing that. We based the original drafting on the model that has a precedent in the Saskatchewan legislation, but we've noted certain problems with that. Therefore it was thought that it would be appropriate to put in a little additional flexibility to avoid the legislation being too prohibitive on the method of accomplishing the purpose.

Mr David Johnson: I may be sorry I asked, but for the uninitiated, what does this exclusion—

Mr Grandmaitre: It might be redundant.

Mr David Johnson: Yes. What, in sort of simple words, does this exclusion from the Securities Act actually accomplish? You use the words that it would be less “prohibitive” in your explanation. Maybe you could expand on that and tell us what's actually happening here.

Mr Loken: The Securities Act would of course generally apply to securities of these corporations without this exemption that's contained in section 2. We wish to create an alternate investor protection regime that is not as onerous for the corporations and provides a reasonable and appropriate level of investor protection for the investors. We also wish to allow them the possibility of converting their shares in the investment corporation into the shares of the business in which it invests to allow them to participate in any equity growth, depending on the success of the business. That would be an optional program issue.

Mr David Johnson: Without this exclusion—

Mr White: Just as a parallel, Mr Johnson, the technical amendment was requested by the securities commission and the language is such that it is what you might call inaccessible. I recall very clearly, not only in terms of the foundation of the act but in terms of some of the testimony before us, that this very issue is important, that the community loan funds, the CISCs, be accessible to people who are unemployed, who are seeking those kinds of assistance. Should the securities commission language and rigours be applied to them, as is unnecessary, they would find that as inaccessible as we find this language.

Mr David Johnson: Can you be specific as to who would be excluded if the Securities Act was fully applied?

Mr White: Frankly, those are the very groups that Mr Hayday represents, the coalition of groups who are

on social assistance, the Social Investment Organization, the Calmeadow Foundation, all referred to community groups who would not be able easily to overcome the obstacles and barriers that the securities commission would put forth that frankly are not necessary in terms of investor protection due to the provincial guarantees.

Mr David Johnson: So if you're on welfare, for example, then you wouldn't be eligible to be an investor in a community investment share corporation?

Mr White: Many of the people, as was suggested, who would be involved in these programs, both as members of CLFs, it might be community groups, might not necessarily be capital corporations or legal counsel.

The Chair: Further questions or comments regarding Mr White's amendment to subsections 2(2) and 2(3)? If not, shall Mr White's amendment to subsections 2(2) and 2(3) carry? Carried.

Shall section 2, as amended, carry? Carried.

Questions, comments or amendments to sections 3, 4 and 5? Shall sections 3, 4 and 5 carry? Carried.

Questions, comments or amendments to section 6? Shall section 6 carry? Carried.

Section 7, subsections (1), (2) and (3), questions, comments or amendments? Shall subsections 7(1), (2) and (3) carry? Carried.

Subsection (4), Mr White.

Mr White: This seems to be a Tory amendment to subsection 7(2). We just bypassed your amendment.

Clerk of the Committee (Mr Franco Carrozza): No, that's on 10. We'll be adding number 10.

The Chair: Okay, fine. We're on subsection 7(4).

Mr White: I move that paragraph 4 of section 7 of the bill be struck out and the following substituted:

“4. The corporation's articles of incorporation restrict the business of the corporation to providing capital to eligible businesses through the acquisition and holding of equity shares issued by eligible businesses and to providing business advice to eligible businesses.”

1050

The Chair: An explanation, Mr White?

Mr White: The policy requires that a business corporation which ordinarily is registered under the Business Corporations Act has the capacity and powers to engage in any lawful business and restrict those capacities and powers in order to be registered as a CISC that would accomplish the policy goals of the program.

The Chair: Questions, comments to Mr White's amendment to paragraph 7.4?

Shall Mr White's amendment to 7.4 carry? Carried.

Paragraphs 7.5, 7.6, 7.7, 7.8 and 7.9: Questions, comments?

Mr Hope: It says section 7, and I've got so many

pieces of paper around here. It's a PC that says "section 7" on it.

The Chair: Yes, that comes later.

Mr Hope: Does it come later? Is there another section 7 somewhere?

The Chair: You're in good hands, Mr Johnson.

Shall paragraphs 7.5, 7.6, 7.7, 7.8 and 7.9 carry? Carried.

Mr Grandmaître: Paragraph 10, Mr Hope.

The Chair: Would you just make the motion.

Mr Grandmaître: I move that section 7 of the bill be amended by adding the following paragraph:

"10. The council of the local municipality or the planning board in which the corporation is situate, as appropriate, has passed a resolution supporting the corporation."

Mr Chair, we've been told that Bill 40 was conceived on the Saskatchewan model. In the Saskatchewan model, municipalities are included, whereas in Bill 40 local municipalities are not. The fact that AMO didn't have an opportunity to—well, did have an opportunity but wasn't ready to come before this committee, and also Mr Tonks. Municipalities want to be involved, and I think that paragraph 10 should include local municipalities or planning boards.

The Chair: Further questions or comments on Mr Grandmaître's motion?

Mr Hope: I'm just trying to understand here the motion that he's putting forward. Are you saying that the municipality is going to have, and I put it in very clear terms, the veto power over any community group that it wishes to establish?

Mr Grandmaître: No. But they should at least know what's happening in the community. That's all I'm saying.

Mr Hope: Well, they should know anyway, not necessarily should it be in legislation. I'm implying that what you're saying here is that the municipalities are going to have total vetoing power over top of that.

Mr Grandmaître: That's not what I'm saying. If this bill is based on the Saskatchewan model, then how come municipalities are included in the Saskatchewan model and they're not included in this one? They don't have a veto power. They simply pass a resolution so that the planning board and the municipality will know what's happening in the community, that's all. I want municipalities to be involved.

Mr Arnott: Perhaps legal counsel could give us some advice on the interpretative features of this.

The Chair: That may be appropriate.

Mr Loken: Municipalities of course are included in the bill as a sponsor. This section of the act is designed to set out compulsory requirements for corporations in

order that they may be registered, that they fulfil the purposes of the act in a certain way. Certainly a municipality could pass a resolution and support a CISC, and in fact I think that would be the intention of the bill, that a community group or a sponsor who had the municipal support would probably be a more effective sponsor, adding the support of the broader community.

Mr Hope: What if they didn't? What if the resolution was denied by a municipal council? Then that community group could not establish itself, right?

Mr Grandmaître: That council doesn't have a veto.

Mr Hope: If they don't pass a resolution, then they don't identify them, right?

Mr Loken: Under this section, it's a requirement that all these items be set out, so if this is indeed a requirement—

Mr Hope: That the resolution be passed.

Mr Loken: —that the council passes a resolution, then the corporation may not be registered.

Mr Hope: If they don't pass a resolution, that means you veto the authority of that community group that wishes to establish. The amendment you're putting forward will give the vetoing power of a municipal council. Say, for instance, I'm not one who's well liked by municipal council and I'm with a group and I meet all the criteria, but for some reason municipal council says, "No, no, they're not part of the elite in our community so we're not going to let them participate. We will not pass a resolution." Then you've taken my right away from me and the community group that I wish to put together to be a participant in the community economic development.

Mr David Johnson: I guess Mr Hope is starting to ask a few questions along the lines there. The lead-in to this whole section, section 7 on page 5, says "A corporation must satisfy the following requirements," and then it lists nine requirements. This would be the 10th.

This 10th requirement that according to the lead-in must be satisfied would be that the council of the local municipality or planning board in which the corporation is situate, as appropriate, has passed a resolution supporting the corporation. I guess, to the legal staff, you're interpreting it then that there must be a resolution from the local municipality or planning board.

Mr Hope: Isn't that what I just said?

Mr David Johnson: Yes, that's what Mr Hope just said, so you're leading into the same thing. The question here is, how would you interpret the words "as appropriate"?

Mr Grandmaître: I'm simply saying—

Mr David Johnson: I guess I'm looking to the legal counsel again at this time. Do the words "as appropriate" have any impact on the requirements?

Mr Loken: I would suggest that "as appropriate" is

too indefinite to have any particular meaning. It's not set out anywhere. It doesn't say who decides what is appropriate. Is it the council that decides?

Mr David Johnson: So in your view, that doesn't remove the veto power—

Mr Loken: No.

Mr David Johnson: —the words “as appropriate.” All right. So if the clause was rephrased to say that “the council of the local municipality or the planning board in which the corporation is situate be informed of the creation of the corporation,” then you'd have no problem with that. That would simply be information; that wouldn't be a veto power.

Mr Loken: Then the requirement would be that indeed the ministry—

Mr David Johnson: Inform.

Mr Loken: —whoever you designate to inform, the corporation or the ministry, would inform the council.

Mr David Johnson: And perhaps, “and ask for their comments” or something like that. That would be fine. That wouldn't be a veto, but that would be easy to fulfil and would get the municipality involved.

The Chair: I think the committee's legal counsel would like an opportunity to clarify.

Ms Susan Klein: I think the “as appropriate” was intended to say that in places where there isn't a local municipality, in territory without municipal organization, it would be the planning board. The “as appropriate” was just to identify which of those two would pass the resolutions.

Mr Hope: As one who is not a lawyer, thank God, who can sit here and read this legislation, I'm expressing serious concerns as a community activist that you have in this legislation—and whatever you mean by “as appropriate.” Good Lord, I'm not going to go through legal battles.

Remember, the whole emphasis behind this legislation is to keep it as simple as possible. The community understands what's going on and community groups will participate. We heard that through presentation after presentation, and when I sit here and I read this, you've now given the municipality authority. I heard what legal counsel says, but let me tell you, what I read in here is that you are saying the council or planning board has to approve me before I meet the following requirements.

I'm trying to keep it as simple as possible. As far as I'm concerned my last comment is, I will not support that amendment.

Interjection.

The Chair: Identify yourself for Hansard.

Mr Norman Manara: I'm Norman Manara and I'm from the municipal finance branch of the ministry. Clearly the intent of the program was not to have municipal approval of every single proponent who came

forward to set up a community investment share corporation. Municipalities were to be involved by way of being a sponsor. However, if in fact a non-municipal sponsor wanted to set up one of these organizations, it did not have to have a resolution of the local council.

The Chair: Further questions or comments?

Mr David Johnson: Is it possible to amend the amendment?

The Chair: Certainly everything is possible, Mr Johnson. You could make an amendment to the amendment if you wish.

Mr David Johnson: I move that the amendment be amended to read:

“The council of the municipality or planning board in which the corporation is situate, as appropriate, be informed of the creation of the corporation,” or, “could be informed of the corporation,” whichever legal counsel would advise.

Mr Loken: The registration.

Mr David Johnson: The registration?

Mr Loken: No, we couldn't. It would be inappropriate to inform them of the registration as a prerequisite to registration.

Mr Hope: Well, they should be informed.

The Chair: Order.

Mr David Johnson: Where would it be appropriate to inform them?

Mr Loken: Prior to registration, the application for registration.

Mr David Johnson: All right, “be informed of the application for registration of the corporation.” In that sense, there's no veto power; the municipality is simply being informed. They can pass any resolution they want on any topic, including nuclear warfare, but it wouldn't have any impact. It wouldn't have any veto on this bill.

Mr Loken: I would just add to that—

The Chair: The Chair is having some difficulty understanding procedurally where we are. Are you attempting to make an amendment to—

Mr David Johnson: Yes.

The Chair: I'm getting the feeling that this may be a friendly amendment. Perhaps the better thing to do would be for Mr Grandmaître to withdraw his amendment and to place an amendment that is agreeable to both of you.

Mr Grandmaître: Can't we accept the subamendment? That would be more—

The Chair: We can accept it if I know what it is and the members of the committee are—

Mr Grandmaître: Well, tell us.

Clerk of the Committee: If I understand it correctly, Mr Johnson, you wish to amend Mr Grandmaître's amendment by placing after the word “appropriate,” “be

informed of the application of the creation of the corporation"? Do I have it correct?

Mr David Johnson: Yes.

The Chair: Is that agreeable?

Mr David Johnson: I'm just looking at legal counsel for his final nod of approval.

Clerk of the Committee: We agree on the words.

Mr Loken: I think there may be some difficulty with that. It's that the corporation must satisfy these requirements and it's a question of who will be informing the municipality, if that's the intent.

Mr David Johnson: Is there a corporation there that would inform the municipality at that point?

Mr Loken: There may be, but it's possible there may not be a corporation.

Mr David Johnson: If we said, "At the earliest possible opportunity." I'm just trying to let the municipality know about it, that's all.

Mr Mammoliti: On a point of order, Mr Chair: He is changing the whole thing.

The Chair: There is no motion on the floor, Mr Mammoliti. Mr Johnson is busily trying to draft one.

The committee will recess and reconvene at 11:15.

The committee recessed from 1104 to 1117.

Failure of sound system.

The Chair: —and replace a substitute amendment.

Mr Grandmaître: Yes, replace it with another friendly amendment, which would read, I move that section 7 of the bill be amended by adding the following paragraph:

"10. The council of the local municipality or the planning board in which the corporation is situate, as appropriate, has been informed by the corporation of its application for registration."

The Chair: Questions, comments?

Mr Hope: A couple of them. First of all, even though it's amended, I still don't agree with it. A couple of things: Dealing with the local municipality, is it upper or lower municipal government that we're dealing with?

Second of all, you say "informed by the corporation of its application." Let me tell you, if a municipal government doesn't know what's going on in the community, then I think they have the opportunity to resign their seats and get out so that we put people in place who know what's going on with their community. We're talking about economic development; we're talking about restoring some prosperity in our communities. Let me tell you, if municipal governments are not paying attention to what's going on in their community, to put this in the legislation is not going to correct their problem and the real fate of understanding what's going on in our communities.

Even with your amended version, it still leaves much to be desired and I believe that a municipal council in this legislation should be taking a leading role in providing economic renewal, not sitting on the back burners of the whole process and letting people inform them about what's going on. They have a proactive approach to take and they should be doing that. If they're not going to do it then, before 1994, get out of the road and allow those who wish to participate in economic renewal in our communities do so.

Mr Mammoliti: I would have again objected to this—

Mr Hope: I'm running for mayor, by the way.

The Chair: Mr Mammoliti has the floor.

Mr Mammoliti: I would have done it through a point of order, but I think it may be more appropriate this way. I still think, in looking at this amendment, that it's out of order. I think that by changing the intent of the original amendment, it would—I'm sorry, did he replace the original amendment? Is that what we're looking at? I shut my mouth at this point.

The Chair: Further questions or comments?

Mr David Johnson: It's too bad we get into these kind of debates over what really now is a very simple suggestion. That is simply that the local municipality or the regional municipality or both, where the group has taken its headquarters, its main address, would be informed of what's happening. It's been said that municipalities somehow by osmosis, I guess, or looking up in the clouds, should know everything that goes on within their jurisdiction or else just get out of the way. It's pretty hard to understand that sort of thinking. The municipalities get this kind of information if they're informed. This is just a simple request to inform the municipality, let it know what's happening here. They're going to get all sorts of programs, happenings under their jurisdiction that they'll want to know about and this is going to be one of many. Why on earth shouldn't they be informed?

As a further reason, within the bill it permits municipalities to be involved in the startup costs in terms of giving staff time, for example, and it's quite likely that at some point in time some of these community groups that form separate from a municipality may come to the municipality at some point and seek guidance or assistance, and the bill permits that. This amendment that Mr Grandmaître is putting forward simply allows a municipality to know what's going on and to perhaps be aware that it may be approached at some point in the future, and be prepared. I think it's a very simple amendment. I don't know what all the fuss is about. I'll certainly support it.

The Chair: Further questions or comments?

Mr White: I think the amendment is not a bad one. It certainly suggests that a municipality be involved.

Certainly, much of the act empowers municipalities to be involved in community development corporations, empowers them to become sponsors of these particular mechanisms and tools and in fact some of our amendments specifically speak to municipal involvement.

The concern I would have, frankly, is by inclusion in this section, which is a requirement for registration, there would be an onus upon that corporation that could perhaps better be described in other sections of the act and, I would suggest, appropriately in the regulations. I would imagine, as Mr Hope indicated, that the municipality would probably be aware of this kind of economic development and probably be not only aware of but involved in most of these economic developments. By putting it in this section of the act, it makes it a requirement, an obligation that I don't think other economic tools are obligated to follow through. We mentioned before about the small business development corporations, the ventures programs. I doubt that they are under those same obligations.

So I would suggest that, while the amendment is an excellent one and it talks about the involvement of municipality, such as this very act does, maybe it should be suggested at another point or, I would recommend, in the regulations under 43(2)(c).

Mr Hope: I just look at this from a point of view—let's say that a community group—and I understand what you're trying to do and I believe a municipality should be informed; that's why I made the comments. If they're not, then they'd better look out and get out of the way. Let's say for all reasons a community group puts everything together and because they did not—it might have seen the mayor or one of the councillors on the street and said, "Look, we're putting in a corporation." Then we get into the technical end of it. You can turn away a community participation by saying, "Oh, one of the requirements you forgot was to notify council." "Well, I did, I saw you on the street the other day and the mayor in the coffee shop"—where most of them participate in fixing problems of government is in the coffee shop. All we do is lead into a technical problem because the information, so-called, was not transmitted to the elected officials. It just makes more complications for those groups who wish to get going and participate in an exciting program which I feel, especially as a rural member, is an opportunity and I don't need a small technicality that, "Oh, sorry, I forgot to put it in writing, or whatever, to our elected officials about what's going on." That's why, if you want to say that municipal—I'm sure there are other areas of this legislation where municipal councils can be involved, but not as part of a requirement to be a group named as part of promoting economic renewal in the community.

Mr Arnott: I'd like to speak in support of Mr Grandmaître's revised amendment. Look, I think one of the things we're overlooking here, Mr Hope, is the fact

that municipal councils are elected; they're the legitimate government of that community. I think your objective is to involve the community in these economic development projects and I think it's absolutely essential that the elected body of government representing that community is involved directly. I don't think it's an extremely difficult encumbrance to ask the proponents of one of these projects to simply make a photocopy of the application and drop it off at the municipal office so the council is informed.

Mr Grandmaître: The fact that we're amending the Municipal Act, section 112, permitting municipalities to provide services—I call this bonusing—I think it's only fair that the local municipality, the local council, should be informed of this new corporation that will be taking place. That's it, this is all I'm asking. I repeat, we don't have a veto on the creation of the corporation; I simply want to inform them.

If Mr Hope thinks that everything is done at the coffee shop, then he's sadly mistaken. I don't think he's ever sat on a local council, because this is not where major decision-making process takes place, not in my 14 years of experience, anyway, and I want to involve the local government, I want to improve the local decision-making process and that's why I simply want that corporation to inform the local council of its activities, period.

1130

The Chair: Mr Hope, I think, and then Mr Wiseman.

Mr Hope: Why I bring this in, I take it more personal when we deal with legislation. I look at my own community. I've listened to the words the municipal elected or the governing body—let me tell you, we had a meeting dealing with the Premier's Council on Economic Renewal. Invitations were sent to all councillors and the mayor felt and stated in the press that he had better opportunity of coaching his son's baseball team than participating in economic renewal. Now, if that's the approach that some municipal councillors are taking, I think it's up to the community, those community people who participate in that report—the opportunity. When I look at legislation—because I always try to refer myself back to a community. You're absolutely right, I didn't run for municipal council, but don't hold your breath, I could be there sooner than you think. One of the things is that we are getting into such severe politics, both at the municipal level and of provincial level and federal level, that there is a community out there that is really caring about what happens. Then, when I sit here and look at this as part of a requirement before they can get started, I have serious problems with it. I believe the municipal government should be involved in the process, but not in this section of the legislation. That's the end of the comments I'm going to make on that part of it.

Mr Wiseman: I just would wonder if we really needed to do this, given that section 5 of the legislation states,

“The minister shall maintain a register of community economic development corporations setting out the names of the corporations and the names and addresses of their officers and directors and any other corporate information as prescribed.”

Then in the next section, 5(2), “The minister shall ensure that the register is open for public inspection during normal office hours.”

It seems to me that most communities have a business development group or committee, an economic development business community—whatever you want to call it—that would be able to access this registry and have all the information that is necessary. I don’t think we should clutter the legislation with what I would consider to be unnecessary and redundant sections.

Mr Mammoliti: I wish to speak a little bit about my particular riding and why I think this amendment is inappropriate. Over the last 25 years, my particular riding has been neglected in a number of different ways and it’s led to a number of different problems, some of which were and still are social problems, and I blame the municipal government for a lot of the problems that have been created in my particular area over the last 25 years.

Having said that, I would not want the municipal government—and I still believe this amendment would give it that power—to have its hand in determining applicants and their eligibility, and I really believe that there are some municipal council members and mayors who like to strategize that way.

In my particular case in North York, I would not want Mel Lastman, quite frankly, to be able to manipulate this way. Over the last 25 years, we have suffered from some of the decisions that North York has made this way, and I really believe that if we were to give this type of authority—and you might say, “Protocol is important; we need to let them know,” but I think it does a little bit more than just give them notice. I think by giving them notice you will give them the opportunity to be able to work against some community groups.

In my particular area, a lot of those community groups have been neglected over the last 25 years, and for me, this piece of legislation gives some of those groups an opportunity to apply for something without being discriminated against for one reason or another. There’s that concern, and of course the concern that I raised earlier, that being that you’re continually putting in amendments that might want to clutter this piece of legislation, and I object for that reason as well.

The Chair: Further questions, comments?

Mr Grandmaître: Yes, Mr Chair. You know that’s not my intention. I don’t want to clutter the legislation.

I wanted to make it work as well as possible, and I’m very surprised to hear that this provincial government is dead against local government. I’m very surprised at some of the comments that I’ve heard coming from the members of the government. If you do have a problem with your local government, you’re supposed to be the government that wants to work with everybody, a government with no walls, open doors, and you want to consult everybody, but now you want to leave out the local municipality, the local council, out of your decision-making process: “Don’t trust them. They can’t be trusted.” I can’t understand your comments this morning.

Also, this amendment doesn’t give municipalities any additional powers. They won’t be determining their eligibility. I simply want the corporation to inform city council of what’s going on. Who knows? Maybe this corporation later on will be needing the municipal council’s assistance in providing services, infrastructure, I don’t know, but just simply keep them informed of what’s going on in their municipality.

The Chair: Further questions? Comments? Shall Mr Grandmaître’s amendment carry? All in favour? Opposed? The amendment’s lost. Mr Johnson.

Mr David Johnson: This is the one we’ve all be waiting for. It’s been announced a couple times.

I move that section 7 of the bill be amended by adding the following subsection:

“Divestiture plan

“(2) The Minister of Finance shall not give his or her approval under paragraph 9 of subsection (1) unless the corporation has submitted to the Minister of Finance a divestiture plan.”

That’s the amendment, and the reason or the rationale is that the amendment is intended to ensure that as a condition of registration the corporations can present a reasonable divestiture strategy to dispose of their assets should the corporation fail. It is intended to act as a test of quality management. This was a point that was raised by more than one of the deputants, I think. Certainly one of them was Sharwood and Co, which indicated that investors should know how they get their money back out. How do you redeem? So that’s my amendment.

The Chair: Further questions, comments?

Mr Hope: I guess my question would be, I would probably see the plan being put forward to the Ministry of Municipal Affairs and I’m wondering, why would you use the Minister of Finance or Ministry of Finance, whatever you want to—why wouldn’t you use Municipal Affairs, because we’re dealing with community economic development? I could see merits in it being changed from Minister of Finance to the Minister of Municipal Affairs, and with that friendly aspect of it—I don’t know. I just wonder why Finance versus Municipal Affairs as being the key.

Mr David Johnson: I guess it was probably deemed that Finance would be more appropriate to look at financial aspects, including redemption, but I think Mr Hope perhaps has a good point when I reconsider and I am prepared to accept his friendly amendment that it be the Minister of Municipal Affairs.

The Chair: So that I understand and the committee understands, you will change the word "Finance" to "Municipal Affairs."

Mr David Johnson: Yes.

The Chair: So there's a friendly amendment.

Mr Hope: If he's agreeing to my amendment, then it's covered under section 43 of this legislation, and that's why I needed some clarification.

The Chair: It would be helpful for the Chair just to know that Mr Johnson has moved that "Finance" be replaced by "Municipal Affairs."

Mr David Johnson: Just before I sign off on that, is it the Minister of Finance that gives the approval under paragraph 9? Who gives approval to the community investment share corporation? Maybe I could ask staff. Who is it who actually gives the approval?

Ms Klein: I think you're right. In paragraph 9 there, it's the Minister of Finance.

Mr David Johnson: All right, so it can't be—

Ms Klein: Yes.

Mr David Johnson: The reason, Mr Hope, is that it is the Minister of Finance that actually gives the approval, not the Minister of Municipal Affairs.

Ms Klein: That's only under paragraph 9, only to the security offering and the offering statements. The general registration decision comes later on and that's handled by the Minister of Municipal Affairs, but there's one specific requirement under paragraph 9, that is, they ask that the Minister of Finance give his or her approval to the security offering and offering statement.

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Mr David Johnson: So I'm suggesting at that point, where it's with the Minister of Finance already, the divestiture plan be available and the Minister of Finance would then give approval, if all conditions are met, including that a divestiture plan is available. So in that case it has to remain as the Minister of Finance.

The Chair: All right. So we're clear the amendment is as originally placed.

Mr David Johnson: Yes, that's right.

Mr White: I'd like to thank my colleague for bringing forth this amendment. The amendment, however, I think is unnecessary for a couple of reasons. One, if I could draw your attention to clause 30(1)(a), "The corporation applies and files all material required in accordance with the regulations," and the ministry is including the divestiture as part of its regulations and procedures. It's certainly being contemplated, so that

will be in the regulations.

I would also, with the committee's indulgence, draw your attention to clause 43(2)(d.1), which is an additional amendment. While we haven't as yet gotten to that point, I'm sure you'll be pleased to see that the issue of the prescription and regulations is further dealt with under that so that concerns in regard to the involvement of municipalities, such as were discussed recently, and of course this issue about the community investment share corporations and their activities, their divestiture plans etc, can be further regulated under that section. So again I want to thank my colleague for bringing forth that recommendation and that amendment but feel that it's really not necessary.

Mr David Johnson: I thank the parliamentary assistant and centre-fielder for bringing that to my attention, but one of the problems you're dealing with when you're going through this bill is that there are so many—I think I counted about 205,000 of them where they're prescribing terms or it's going to be described later in the regulations and you have no idea what the regulations are going to be. This bill is largely by regulation.

I guess the routine here now is that my amendment would get voted down, undoubtedly, but I think I'll leave it on the floor anyway.

The Chair: So cynical.

Mr David Johnson: I'll leave it on the floor anyway, and after it does get voted down and when the regulations come in, I'll have a look for how you're dealing with divestiture in the regulations.

The Chair: Mr White.

Mr White: I just wanted to add to that, very simply in response to my colleague's concerns, that having mentioned that those are a part of the approval process as is currently being worked on by the ministry, they should appear in regulation and we are certainly now giving you a foretaste of what will be in there.

Mr Grandmaitre: Is that a promise?

The Chair: Shall Mr Johnson's amendment carry? All in favour? Opposed? The amendment is lost.

Shall section 7, as amended, carry? Carried.

We have a government motion to subsection 8(1).

Mr White: I move that subsection 8(1) of the bill be amended by adding the following paragraph:

"3. Charitable, labour and not-for-profit organizations, as prescribed."

The Chair: And an explanation for that, Mr White?

Mr White: I think very obviously it's desirable that the opportunity to purchase such shares be open as widely as possible to as many community groups as possible that wish to participate.

Many of the CISCs of course will have aims and goals that will be similar to the CLFs and to those non-

profit groups and their activities in the community. Although the power is already prescribed in regulation, it's felt that it would be more accessible, to clarify in the act this policy intent. And of course it reflects the submissions we heard last week and yesterday.

Mr Hope: I'm glad to see, first of all, the amendment, because I know it was brought up during the presentations that were delivered and it does show that the government does listen to the public hearing process, which is a good part. I remember previously, before getting into government, a lot was said but nothing acted on. I am very glad that this is an opportunity, because when we talk about social values, there are a lot of community groups out there that have a lot of social value in their communities and churches, and others are a key factor in participating in the process of social responsibility; nor will they be looking at the big dividends that they draw off their investment. So I'm extremely pleased that the ministry officials and the minister's office have agreed to allow a broader perspective of a community in allowing participation in community economic development.

Mr Grandmaître: I thought I was told a little while ago, when we were talking about sponsors, that everybody was included. Now, here's an amendment that's saying "charitable, labour and not-for-profit organizations." What's the difference? If they're all included, why bring this amendment?

Mr Hope: Read the section.

Mr Grandmaître: I just did.

Mr Hope: What does it say?

The Chair: Order.

Mr Mammoliti: When was it said and how was it said?

The Chair: Mr Mammoliti?

Mr Mammoliti: I'm asking him the question. When was it said and how was it said? I think he's exaggerating the point. I don't think it was said in that way.

Mr White: Within this section, those groups would not automatically be included. "Corporations other than community economic development corporations,...other ...classes of corporations" etc wouldn't necessarily describe the groups that are included under paragraph 3. Obviously again, under regulation that can be prescribed, but I think the input of this in legislation gives those groups added potential to invest without there being any question about their legitimacy in that role.

The concern my friend brings up, though, of course is legitimate. Where does one include and where does one suggest simply that this can be prescribed under regulation? We suggest here that this is an area where it's best that they be explicitly included.

The Chair: Further questions or comments regarding Mr White's amendment?

Mr Hope: I'm the one who said that everybody was included in all the process, and I know what he was getting at, but when you talk about the issue, class A securities, it was very specific in that. All it did was open that up, so it's now even clearer who can get the class A securities. That's why I said to read the section. I didn't mean it in sarcastic terms, but the part is who is entitled to class A securities. I think that's the important part that was brought up through the presentations and also which is now in the amendment.

The Chair: I have a technical question regarding the tax status, particularly through the charitable part of that. Could someone explain if that has implications regarding tax status to charities etc?

Mr Loken: Charities are in fact restricted on the type of investments they can make. There may be certain types of charitable organizations that may be able to indeed purchase these types of securities. It would depend on their governing legislation. We would hope in negotiations with Revenue Canada to clarify that and perhaps add these securities as a type of holding that a registered charity could have or a foundation.

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Mr Hope: With that, part of the process is that the federal government, because it has publicly stated it has no money for jobs, I'm sure will have no problem in allowing those individuals of the charitable organizations amendments to the legislation that governs them on this part and will open it up so that those charitable organizations can contribute to their community and put people back to work. We've heard from the federal government. They don't have the money. So this is an easy route out for our federal colleagues, to amend it so that it allows them the opportunity to invest back in their communities.

The Chair: Further questions or comments regarding Mr White's amendment to subsection 8(1)? Shall Mr White's amendment carry? Carried.

Subsection 8(2): Mr White.

Mr White: I move that subsection 8(2) of the bill be struck out and the following substituted:

"(2) A community investment share corporation shall not issue any class A securities to a person if the issue would result in the person and the person's associates holding class A securities issued for an aggregate consideration exceeding a prescribed amount or amounts determined in a prescribed manner."

The Chair: That's very clear. You'll explain it?

Mr White: Yes, of course.

Mr Grandmaître: It's in the regulations.

The Chair: Order.

Mr White: The issue that has been brought up during committee hearings was the prescribed amount

or amounts, and that will be not in so fixed an amount as to limit them. We're taking out those numbers, and we are here standardizing some of the wording between this section and the wording of complementary sections dealing with community loan funds as well, which is under section 18. It's a fairly straightforward amendment.

The Chair: I thought so.

Mr David Johnson: In the original, as I understand it, an investor was limited to the lesser of \$25,000 investment in the share corporation or 10% of the total amount that was raised. This is simply removing those specific amounts. Could we have some sort of forecast as to what will appear in the regulations? Will it be greater than this? Is that the idea? I assume it will be greater.

Ms Melnyk: Yes, it is. We hope it will be greater.

Mr David Johnson: Is it going to be much greater or is it going to be a little bit greater? What are the determining factors?

Mr Hope: It will be appropriate.

Mr White: I think we have indicated the direction. I'm not sure we can be explicit in terms of the precise percentages or numbers, but certainly in the direction of being larger than the present prescribed number.

Mr David Johnson: The board for the corporation is appointed or—what's the proper word—elected by—for example, shareholders are included in determining who sits on the board. Now, if this limit is going to be raised, then I presume it would allow for the possibility of some one individual purchasing a greater amount in the corporation and therefore having a greater say on who sat on the board. Is there any possibility that, if you raised the amount to a considerable degree, one person, through having more money in, more shares, could have an undue influence on who served on the board of directors? How do you guard against that?

Ms Melnyk: The intent primarily was to not unnecessarily restrict ourselves in the legislation with specific numbers. The concern of domination is a great one, and it is intended that these investment share corporations be as broadly based as possible. But to put in specific numbers, particularly dollar amounts, often is a difficult thing to live with after a couple of years.

Mr David Johnson: How will the board be selected? If you have a class A share, do you get one vote in terms of who will sit on the board, or how does that work? Has that been set up yet? Has that been determined?

Mr Loken: That's the intention, yes. But it will be set out in the articles that we require under section 7.

Mr David Johnson: So I assume at the very least you're aware of that concern?

Mr Loken: Certainly.

Mr David Johnson: Can we take it as a guideline, you would not allow one person to have over 50% of the shares so that they could appoint the majority of the board members and therefore control the whole corporation? Would that go without saying?

Mr Manara: I would just say that we are aware of that problem and that basically the intent again of the program is not to have any one person controlling the corporation. I think the point here is that the ownership of the shares in the corporations ideally would be as wide as possible, so that you'd have a great number of people being shareholders in the corporation, so you'd have it fairly diffuse.

Mr David Johnson: That's the ideal, but you can't guarantee that. Mr Arnott raised the possibility the other day that he knows a farmer who has \$500,000 that he's interested in investing. You may have that one farmer and 10 other people with \$1,000. What do you do in that case?

Mr Manara: I think the point is again, in terms of the requirements under the program, it had been made very, very clear that people wouldn't be able to put those types of resources into one of these corporations to the extent that they would have undue control over that entity.

Mr David Johnson: They wouldn't be allowed to have majority control, for sure.

Mr Manara: That's correct.

The Chair: Further questions, comments?

Shall Mr White's amendment to subsection 8(2) carry? Carried.

Shall section 8, as amended, carry? Carried.

Questions, comments or amendments to sections 9 and 10? Shall sections 9 and 10 carry? Carried.

I think we have done an admirable morning's work. The committee will reconvene at 2 pm this afternoon.

The committee recessed from 1158 to 1404.

The Chair: The standing committee will come to order. When we completed this morning's section, we had completed up to section 10. We will now consider section 11.

Mr White: I move that clauses 11(1)(a), (b) and (c) of the bill be struck out and the following substituted:

"(a) the investment will result in community investment share corporations holding equity shares carrying voting rights sufficient, if exercised, to elect more than a prescribed percentage of the board of directors of the eligible business;

"(b) the investment will result in more than a prescribed percentage of the equity of the eligible business being provided by community investment share corporations;

"(c) the investment will result in more than a prescribed percentage of the equity of the eligible business

being provided with government financial assistance of any kind;"

The reason for these revisions is fairly simple. It deals with the amount and percentage of the control of the CISC and the corporations, and of course it also deals with the companies involved not being companies which are otherwise supported by government ventures.

The Chair: Further questions or comments on Mr White's amendment to clauses 11(1)(a), (b), and (c) of the bill?

Shall Mr White's amendment to clauses 11(1)(a), (b), and (c) carry? Carried.

Clauses 11(1)(d) and (e), questions, comments or amendments? Shall clauses 11(1)(d) and (e) carry? Carried.

Mr Grandmaître: I move that clause 11(1)(f) of the bill be struck out and the following substituted:

"(f) the investment is intended to be used by the eligible business for any purpose, including retiring or refinancing a debt, other than the development of the eligible business;

"(f.1) the eligible business has applied under federal legislation for bankruptcy or other protection against creditors; or"

Mr Chair, I simply want this amendment to protect the investors and their investment.

Mr Hope: You've got to convince me if you want me to vote for it.

Mr Grandmaître: Don't you want to protect the investors and their investment?

Mr White: I've discussed this amendment with Mr Grandmaître already and the government is substantively in agreement with his amendment—

Mr Grandmaître: Adjourn.

Mr White: —and feels that it's consistent with the intent of the legislation. However, we do have an amendment to his amendment which simply clarifies the issue of bankruptcy protection, if I might be permitted to read that amendment.

The Chair: So the Chair understands that we have a friendly amendment.

Mr White: The friendly amendment is the addition of clause 11(1)(f.1), and that is to read:

"(f.1) the eligible business is an undischarged bankrupt under the Bankruptcy and Insolvency Act (Canada) or a compromise or arrangement has been proposed between the eligible business and its creditors under the Companies' Creditors Arrangement Act (Canada); or"

Mr Daigeler: Would you repeat that in French, please?

Mr White: I'm sorry, I don't have the French translation.

The Chair: So that we're clear, Mr White—

Mr Wiseman: Ben, I liked the way you said it. I understood it a whole lot better.

The Chair: Order. So, to be clear, Mr White, that is an addition.

Mr White: No, that would be a substitution for (f.1).

The Chair: It replaces (f.1).

Mr White: Yes.

The Chair: And that's agreeable?

Mr Grandmaître: Might as well go for 50% of my amendment. Carried.

The Chair: I take it, then, Mr White's friendly amendment—do you have a copy of that for the clerk?

Mr White: Yes.

Ms Klein: Actually, we don't have it as a motion. Can I write it up as a motion to amend that wording?

The Chair: Yes, that would be a good idea. We will stand that down for—

Mr Grandmaître: Next week.

The Chair: You have a question, Mr Hope?

Mr Hope: Well, I'll wait till the stand-down and then we'll deal with it. I have some questions. I'd just like to know where the Liberals federally are going when they change the Bankruptcy Act.

The Chair: We'll stand this down while the motion's being rewritten and we'll deal with clause 11(1)(g). Questions, comments or amendments to clause 11(1)(g)? Shall clause 11(1)(g) carry? Carried.

1410

Subsection 11(2), Mr White.

Mr White: I move that subsection 11(2) of the bill be struck out and the following substituted:

"Interpretation

"(2) For the purposes of clauses (1)(b) and (c), 'equity' means share capital of the corporation, loans advanced to the corporation by its shareholders subject to prescribed conditions, and other prescribed forms of contribution made to the corporation by its shareholders, calculated in the prescribed manner."

The reason for this is, as was earlier indicated and is consistent with the last clause, that it basically clarifies and defines to some degree what is to be considered equity and includes under that definition shareholder loans etc.

The Chair: Questions, comments or amendments to Mr White's amendment to subsection 11(2)? Shall subsection 11(2) carry? Carried.

Clauses 12(1)(a) and (b), Mr White.

Mr White: I move that clauses 12(1)(a) and (b) of the bill be struck out and the following substituted:

"(a) have equity shares issued and outstanding for consideration paid in money of at least a prescribed amount; and

"(b) hold investments in one or more eligible businesses, as permitted by sections 10 and 11, for which aggregate consideration was paid in an amount equal to at least 80 per cent of the consideration in money received by the corporation from the issue of its class A securities."

The reason for this is to remove—in the original legislation the fixed amount was numbered, as you can see in subsection 12(1), \$50,000, and of course we're wanting to encourage more flexibility, as was suggested during our hearings. That's the principal reason.

The Chair: Questions or comments on Mr White's amendment to clauses 12(1)(a) and (b)? Shall Mr White's amendment to clauses 12(1)(a) and (b) carry? Carried.

Subsections 12(2) and (3). Questions, comments or amendments to subsections 12(2) and (3)? Shall subsections 12(2) and (3) carry? Carried.

Shall section 12, as amended, carry? Carried.

Sections 13, 14 and 15. Questions, comments or amendments to sections 13, 14 and 15? Shall sections 13, 14 and 15 carry? Carried.

Section 16, Mr White.

Mr White: I move that section 16 of the bill be struck out and the following substituted:

"16. In this part, "eligible borrower" means an individual, partnership or corporation located in Ontario, that,

"(a) applies for a loan from a prescribed class of financial institution for the purpose of financing a new or expanding business; and

"(b) meets other prescribed criteria."

The Chair: Questions, comments or amendments? An explanation, I guess, would be in order.

Mr White: The present wording would restrict the loan fund corporation from providing collateral for a loan for a borrower who has not yet established a sole proprietorship. It also restricts the use of the program by individuals hoping to use their individual loans to found collective enterprises such as workers' co-ops, as we have heard during our hearings.

The Chair: Questions or comments on Mr White's amendment to section 16?

Shall Mr White's amendment to section 16 carry? Carried.

Shall section 16, as amended, carry? Carried.

Subsection 17(1), Mr Arnott.

Mr Arnott: In the absence of Mr Johnson, I move that subsection 17(1) of the bill be amended by striking out paragraph 3.

The Chair: Could I ask for an explanation of that, Mr Arnott?

Mr Arnott: This amendment was suggested by the

Community Enterprise Centre and it's intended to ensure that existing community loan funds that are already in place that wish to register under this act are in no way penalized. It's intended to make sure that loan funds are accessible to all who qualify.

The Chair: Questions and comments?

Mr Hope: What was the explanation behind that?

Mr Mammoliti: Because somebody asked for it.

Mr White: Could Mr Burns speak to this amendment?

The Chair: Could you introduce yourself for Hansard?

Mr Tim Burns: I'm Tim Burns from the community development branch of Municipal Affairs. A couple of issues there: Firstly, I think there's the legal one with respect to any liabilities that an existing corporation could be bringing into the program, and therefore the impact that might have on the provincial guarantee which would be extended under the program. There's a strong argument for incorporating a new entity to operate under the program. Secondly, there is startup in operating support under the loan fund program, so any of the the expenses related to that are in fact covered. So our recommendation is that the loan funds be operated by newly incorporated entities and therefore there is the requirement there in paragraph 3.

Mr Arnott: You would recommend against our motion?

Mr Burns: Against the motion.

Mr Hope: I want to know why they want to strike that out. The problem I see actually lies in some of the bankruptcy stuff. If you took that out, a current corporation then could access this program.

Mr Arnott: An existing community loan fund would then be able to access that program.

Mr Hope: A current company then could access moneys through the new program. Is that what you're saying? By striking paragraph 3 out, are you saying that you want to allow current businesses to have access—

Mr Arnott: Community loan funds which are similar in concept but may in fact be non-profit should have the opportunity to participate as well. That's what we're trying to say.

Mr Hope: That's not what that's saying, though.

Mr Arnott: There may be existing community loan funds. Again, this was suggested by the Community Enterprise Centre.

Mr Mammoliti: I'd like to ask a question whether or not these community loan funds, even with paragraph 3 in, would qualify.

Mr Burns: In my understanding, they would qualify as sponsors by virtue usually of being non-profit and many of the individuals concerned would also be involved in the new entity. However, the corporate

entity, to be registered under the act, would be a new corporate entity. So although it may involve some of the same players and it may have some of the same sponsors, for the purposes of registering under the act and issuing the class A notes and so on, it would be a new corporate entity. The same partners could be involved, but it would be new.

Mr Mammoliti: It would be new. What's the reasoning behind that?

Mr Burns: I think the most important reason—I'll ask James, if I may, to come in and correct me if I'm wrong here—is any liabilities or judgements against an existing entity which they might bring into the program, and therefore you could place the province's guarantee at risk if there were a judgement against them and they would have to pay out, and money that's been money that's been raised with a provincial guarantee would be called upon to pay out on those judgements or those liabilities.

1420

Mr Mammoliti: With that explanation, Mr Chair, I would expect that the Conservatives drop this amendment. I would think you would agree with this. No, Mr Arnott?

Mr Arnott: I think there's still merit to what we've suggested in terms of ensuring that existing community loan funds have the opportunity to participate. You're suggesting that in fact they will have that opportunity under—

Mr Burns: The same as individuals who want to be involved.

Mr Arnott: I hadn't considered that particular point. I'd still like to move the motion.

The Chair: Further questions or comments?

Shall Mr Arnott's amendment to subsection 17(1) carry? All in favour? Opposed? It's lost.

Mr White: I move that paragraph 4 of subsection 17(1) of the bill be struck out and the following substituted:

"4. The corporation's articles of incorporation or letters patent restrict the objects of the corporation to establishing, financing and operating a community fund that provides collateral for loans to eligible borrowers and to providing business and other advice to eligible borrowers."

The reasoning behind this is that the present wording is unnecessarily and overly restrictive, and of course that has been brought up on a number of occasions during the hearings.

The Chair: Questions or comments on Mr White's amendment to 17(1)4?

If not, shall Mr White's amendment carry? Carried.

Shall the balance of section 17 carry? I'll give you an opportunity, actually, for questions and comments. We

have not done 1, 2, 5, 6 and 7, and I believe the Liberal Party has an amendment adding a paragraph 8. We'll deal with everything that is not included.

Shall paragraphs 1, 2, 5, 6 and 7 carry? Carried.

Mr Grandmaître: Mr Chair, I thought my amendment was to—

The Chair: It adds a new paragraph 8, at least the copy I have does.

Mr Grandmaître: It's the same great amendment I introduced this morning.

I move that subsection 17(1) of the bill be amended by adding the following paragraph:

"8. The council of the local municipality or the planning board in which the corporation is situate, as appropriate, has passed a resolution supporting the corporation."

I have a subamendment to delete "passed a resolution supporting the corporation," to be replaced with "has been informed by the corporation of its application for registration."

The Chair: An explanation?

Mr Grandmaître: The same explanation I gave this morning.

The Chair: That's concise.

Mr Mammoliti: I still have the same concern I had this morning.

The Chair: That's also concise.

Mr Hope: I'll just refer to Hansard from this morning's discussion, as to why I am voting no.

Mr White: I would like to make reference to the fact that the government's position is very clear, as it was this morning, that it should be consistent between the CISCs and the community loan funds.

The Chair: Further questions or comments?

Shall the amendment, paragraph 17(1)8 carry? All in favour? Opposed? It's lost.

Subsection 17(1.1), Mr Arnott.

Mr Arnott: Again on behalf of Mr Johnson, I move that section 17 of the bill be amended by adding the following subsection:

"(1.1) A corporation shall not be registered under subsection (1) unless the minister is satisfied that the corporation has,

"(a) clearly defined goals and objectives of what can be accomplished through a loan fund;

"(b) the technical skills required to manage the fund; and

"(c) three-year financial projections, including a plan to cover operating costs and attract capital."

This was an idea that was suggested by the Calmeadow people. Again, it is there to attempt to ensure that as a condition of registration, the corporations are

fully aware of all the aspects of operating the fund and that they possess the complete expertise to do so. It's again a test of the quality of the management, of the individuals applying.

Mr White: I think these are excellent suggestions and the government certainly agrees with the intent. The question is where they should be placed. They really do speak to the quality of management services and the kind of education that is frankly part of the intent of the program that this legislation will put into action. For those reasons, it should really be more in a program guideline. For example, we have the three-year financial projections, specific issues that may change over time. I would suggest also that clause 43(2)(c) allows provisions for additional regulations based on program experience. I frankly think they're excellent suggestions but should be in a program guideline as part of the ministry's work in education, which is a substantive part of the moneys dedicated to this thrust.

Mr Arnott: As parliamentary assistant, what assurance can you provide us that in fact these criteria will be reflected in guidelines of the program?

Mr White: It's not a substantive problem. I've certainly spoken to you about my substantive agreement with the intent of your motion. These are fairly standard management practices as part of the kind of expertise that the ministry would offer and the kind of counsel and advice that the ministry would offer in the establishment of these funds. We've heard certainly during our hearings from many people who have a wealth of experience and that experience grows over time. I would think that not only does this reflect what we presently know, but our experience, our ability to manage these kinds of funds and to assist with them will also change over time, which is also why I'm suggesting that we wouldn't want to limit ourselves by making those qualifications within the legislation.

The Chair: Further questions or comments on Mr Arnott's amendment 17(1.1)?

Shall Mr Arnott's amendment 17(1.1) carry? It's lost.

On subsection 18(1), we have an amendment from the government. Just before you begin, I think we'll deal with 18(1)1 and 2 and then you can add your new section.

I'm sorry, the clerk has informed me I neglected to call 17 as amended.

Shall section 17 carry, as amended? Carried.

Paragraphs 18(1)1 and 2: questions, comments?

Shall 18(1)1 and 2 carry? Carried.

1430

Mr White: I move that subsection 18(1) of the bill be amended by adding the following paragraph:

"3. Charitable, labour and not-for-profit organizations, as prescribed."

The reasoning for that is fairly obvious, given the hearings. We want to be as inclusive as possible. I see that there is an amendment forthcoming which is very similar.

The Chair: Further questions or comments? Shall Mr White's amendment carry? Carried.

Subsection 18(2). Questions?

I am sorry, subsection 18(1).

Mr Grandmaître: I move that subsection 18(1) of the bill be amended by adding the following paragraph:

"3. Charities, as defined in subsection 149.1(1) of the Income Tax Act (Canada)."

Mr Hope: How can you do that? It's out of order.

Mr White: The Chair has ruled.

Mr Mammoliti: It's out of order, Ben.

Mr Grandmaître: Mine was in first.

The Chair: That amendment is out of order. We've just dealt with a very similar amendment.

Now we're dealing with subsection 18(2). Questions, comments or amendments? Shall subsection 18(2) carry? Carried.

Shall section 18, as amended, carry? Carried.

Now I think this would be a good time to revert to dealing with the stood-down clause, 11(f). I'll give members an opportunity to find it. We were dealing with Mr White's amendment to Mr Grandmaître's amendment. Do all members have that in front of them? Are there questions or comments regarding Mr White's amendment? You've read that in, I believe. Shall Mr White's amendment carry? Carried.

Questions or comments to Mr Grandmaître's amended clause 11(1)(f.1)? Carried.

Shall section 11, as amended, carry? Carried.

Sections 19 and 20; questions, comments or amendments to sections 19 and 20? Shall sections 19 and 20 carry? Carried.

Subsection 21(1), questions, comments? Shall subsection 21(1) carry? Carried.

Subsection 21(2), Mr White.

Mr White: I move that subsection 21(2) of the bill be amended by inserting after "amount" in the fourth line "or a prescribed percentage of the corporation's assets."

This is a technical change and it simply consolidates restrictions in the same section.

The Chair: Questions, comments on Mr White's amendment to 21(2)? Shall Mr White's amendment to 21(2) carry? Carried.

Section 21(3): Questions, comments? Shall section 21(3) carry? Carried.

Shall section 21, as amended, carry? Carried.

Section 22: Section 22(a), Mr White?

Mr White: I move that clause 22(a) of the bill be struck out.

The Chair: An explanation for that, Mr White?

Mr White: It is a technical change and it consolidates restrictions in the same section.

The Chair: It is also out of order. You can simply vote against the clause, as it's called.

Clause 22(a), all in favour?

Mr Arnott: Mr Chairman, may I hear again the explanation for the rationale behind the amendment?

Mr White: Mr Arnott, what we're dealing with is a technical procedure. I cannot actually move against a government amendment, but what I can do in this is simply indicate this is where we're going and we want to strike it out.

The Chair: He wants to know why you want to strike it out.

Interjections.

The Chair: Order. On a point of order, Mr Hope?

Mr Hope: I am asking a procedural question and I understand what everybody's doing, but under section 22, how can you break it up into the (a) and the (b) when you're voting on a section without an amendment? How can you break it out without an amendment, that section 22? How can you separate it?

The Chair: We can separate subclause (c), and that's what we're doing.

Mr Hope: So then (b) would have to be amended to read (a), right?

The Chair: Yes, but legislative counsel generally rennumbers the bill. That's not a great and grand problem.

Mr Hope: Okay, I just want to make sure that we're doing something right here. When I'm voting against something you ask me to vote against, I want to make sure I'm voting against a particular area, not the whole section.

The Chair: We appreciate your assistance, Mr Hope. Mr Johnson?

Mr David Johnson: I gather here again, Mr Chairman, as this morning, then, just having read this unseen, I look for verification that what's being said is that the collateral will be described in the regulations.

Mr Loken: No. What's being said is simply that we've amended subsection 21(2) to include what is set out in 22(a), so it is no longer necessary and it simplifies the drafting of the bill in consequence.

The Chair: Further questions or comments to 22(a)? Shall 22(a) carry? No. It's lost. 22(b)?

Mr Grandmaître: I move that section 22 of the bill be amended by striking out "or" at the end of clause (a) by striking out clause (b) and substituting the following:

"(b) The loan is intended to be used by the eligible

borrower for any purpose, including retiring or refinancing a debt, other than the development of the business of the eligible borrower; or

"(c) the eligible borrower has applied under federal legislation for bankruptcy or other protection against creditors."

The Chair: Thank you. An explanation?

Mr Grandmaître: It's simply a protection, Mr Chair, for the investors, an additional protection for the investors.

The Chair: Mr Mammoliti?

Mr Mammoliti: A question to staff, I guess, or to the parliamentary assistant: In similar circumstances, I guess, in other policies, do we often run credit checks, and if so, how often do we do them? Would we usually run credit checks?

Mr Burns: Credit checks would be run on all applicants in the loan fund program, so any kind of standard, routine credit problems would show up in the credit checks.

Mr Mammoliti: So we wouldn't go in with our heads down, right? We would know the applicants, right?

Mr Burns: Correct. The board of the loan fund would have before it a full credit history and could make its decision on the basis of that.

Mr Mammoliti: So with that explanation, Mr Chair, I would expect the Liberals to drop this amendment as well.

The Chair: Can we get a clarification of the government's position on this, Mr White?

Mr Mammoliti: Mr Chairman?

The Chair: Yes?

Mr Mammoliti: Would it be out of place for me to ask for a five-minute recess at this point so that we can—

The Chair: Actually, I think that would be a good idea. We've just been discussing this privately and it looks an awful lot like clause 11(1)(f). So we'll take five minutes. We will reconvene at 2:45.

The committee recessed from 1441 to 1449.

The Chair: Mr White, you have an amendment to Mr Grandmaître's amendment?

Mr White: I move that Mr Grandmaître's motion for section 22 of the bill be amended by striking out clause (c) and substituting the following:

"(c) the eligible borrower is an undischarged bankrupt under the Bankruptcy and Insolvency Act (Canada) or a compromise or arrangement has been proposed between the eligible borrower and the borrower's creditors under the Companies' Creditors Arrangement Act (Canada)."

That's obviously consistent with one very small

change; that is, from "company" to "borrower," or from "business" to "borrower," from our earlier discussion. The government has no problems with that slight articulation of Mr Grandmaître's motion on clause (c), although we do have difficulties with the other clause. Thank you.

Mr Grandmaître: I'll go along with the change to clause (c) of the bill. Can I get an explanation on clause (b), why the government is opposed to this clause?

The Chair: Let's deal with Mr White's amendment and then we'll deal with—

Mr Grandmaître: Very good. So I go along with the changes introduced by Mr White.

The Chair: Shall Mr White's amendment to Mr Grandmaître's motion carry? Carried.

Interjections.

The Chair: The copy's coming, but it's almost identical to what happened in clause 11(1)(f).

Mr Grandmaître: We're changing one word. That's all. Now, can I get back—

Mr Hope: Some of us do follow what goes on in this process and we just want to keep our paperwork in order.

The Chair: Thank you.

Mr Grandmaître: Now can I go to clause (b) of my amendment, which was turned down, I'm told, by the government? Can I get an explanation on that one?

The Chair: Wait a minute. I'm confused.

Mr White: Could I ask a process question, Mr Chair?

The Chair: You certainly may.

Mr White: In the event, as Mr Grandmaître and myself agreed, that the amendment carried which changed clause (c), were the amendment itself to be defeated, would the amendment to the amendment still exist; ie, would (c) be in existence?

The Chair: No.

Mr Grandmaître: No.

Mr White: Sorry. Could I consult with the legislative counsel in that regard?

Ms Klein: I'm confused.

The Chair: All right. I think we need another recess.

Mr David Johnson: Why don't we come back to this?

The Chair: All right. That's a capital idea. We will stand this section down, with unanimous consent. Agreed.

Section 23? Section 24? Section 25? Questions, comments or amendments? I've got Mr Hope.

Mr Hope: In the other sections that we just put or had percentages in, we have amended those percentages.

I'm just curious for an explanation through the parliamentary assistant to staff. Wait a second. Sorry, my mistake. Forget it.

The Chair: Further questions, comments or amendments? Shall sections 23, 24, and 25 carry? Carried.

Section 26.

Mr White: I move that subsection 26(1) of the bill be amended by striking out "other than a municipality" in the fifth and sixth lines.

The Chair: And an explanation, Mr White?

Mr White: The amendment will allow municipalities to become eligible for matching startup assistance as sponsor of a community investment share corporation. This will ensure that municipalities, particularly small rural municipalities, will not consider themselves restricted from the program on the basis of their inability to fully bear the costs of establishing the CISC. Certainly we have had a discussion earlier today and just recently about the importance of involving municipalities in these economic tools.

The Chair: Thank you. Questions or comments?

Mr Hope: I would just like to comment and compliment the ministry for the change, because it does recognize the unique needs of rural Ontario and small municipalities that do not have a lot of money. I think it's an important milestone in today's history in Toronto where we start recognizing outside of the Toronto boundaries that there is an Ontario called rural Ontario. I compliment the Ministry of Municipal Affairs for its efforts in identifying that important part of Ontario.

The Chair: Thank you, Mr Hope. Questions, comments or amendments?

Shall Mr White's amendment to subsection 26(1) carry? Carried.

Subsection 26(2). Questions or comments? Shall subsection 26(2) carry? Carried.

Shall section 26, as amended, carry? Carried.

Subsection 27(1). Mr Johnson.

Mr David Johnson: I move that subsection 27(1) of the bill be amended by inserting before "expenses" in the sixth line "reasonable."

This amendment is to ensure that only reasonable startup costs are covered by the province. What is reasonable would be set out in government regulation, along with a number of other things. It is intended to prevent overpayments or fraud. As I can recall, this was a suggestion by Calmeadow. Calmeadow, as you can recall, made quite an extensive brief to us.

The Chair: Questions or comments on Mr Johnson's amendment?

Mr Mammoliti: The motion is reasonable.

The Chair: Thank you. Further questions or comments?

Shall Mr Johnson's amendment to subsection 27(1) carry? Carried.

Interjection: It's unanimous.

Mr David Johnson: To the nearest hospital. Take me, quick. Emergency.

The Chair: Subsection 27(2). Mr Johnson.

Interjection: Don't get cheeky or we won't give you another one.

The Chair: Order.

Mr David Johnson: Pushing my luck to the limit, Mr Chairman, this is essentially the same situation again.

The Chair: Perhaps you'd like to read it in.

Mr David Johnson: I move that subsection 27(2) of the bill be amended by inserting before "operating" in the last line "reasonable."

Again, this is to ensure that only reasonable operating costs are covered by the province. What is reasonable would be set out by government regulation; again a suggestion by Calmeadow, and intended to prevent fraud or overpayment.

The Chair: Questions? Comments?

Mr Mammoliti: The amendment is reasonable.

The Chair: Further questions or comments on Mr Johnson's amendment to subsection 27(2)? Shall Mr Johnson's amendment to subsection 27(2) carry? Carried.

Shall section 27, as amended, carry? Carried.

Mr Mammoliti: Only because he's a good ballplayer.

The Chair: Section 28. We will deal with subsections 28(1), (2), (3), (4), (5) and (6). Are there questions or comments?

Shall section 28, subsections (1) through (6), inclusive, carry? Carried.

Subsection 28(6.1). Mr White.

Mr White: I move that section 28 of the bill be amended by adding the following subsection:

"(6.1) The province of Ontario shall not deduct from the amount it is otherwise liable to pay on a guarantee any amount paid to the eligible investor by the community economic development corporation as a dividend or interest on the class A security."

The reason for this is that it clarifies the policy intention that dividends or interest previously paid by a CED corporation should not be deducted from the guaranteed payment by the province if the corporation subsequently becomes insolvent. We had that, obviously, brought up during our hearings, and this is a response to those concerns.

The Chair: Questions? Comments?

Mr David Johnson: This may be obvious, but the

first part of subsection 28(6) is: "The province of Ontario shall deduct from the amount it is otherwise liable to pay..." Now there's a second clause being added that it shall not deduct. Could somebody explain to me what the difference is between the first section and the section that's just been inserted?

1500

Mr Grandmaître: "Shall" and "shall not."

Mr David Johnson: When does one kick in and the other not?

Mr Loken: It simply is a clarification of subsection (6) to indicate what is not to be deducted.

Mr David Johnson: In the first section it says, "shall deduct from the amount it is otherwise liable to pay on a guarantee...upon the redemption...in respect of the amount"—

Mr Loken: The purpose is to deduct from the guarantee money that the investor would receive back from the corporation, from its assets, but the amendment clarifies that any dividends or interest paid prior to that would not be included in that deduction.

Mr Grandmaître: The next question is, why? Can we take another 15-minute break?

Mr Burns: Subsection (6) refers to any assets that might be in the corporations at the end of term whereas the amended (6.1) refers to any dividends which may be paid out before the end of term to ensure that there isn't a double payment. For example, if you get 40 cents on the dollar at liquidation, you don't get another 40 cents back on payment of the provincial guarantee. That's counted separately. You go back to the province for the difference only.

Mr Grandmaître: You're distinguishing between assets and dividends and interest.

Mr Burns: Yes. There may well be a call on the guarantee, but not for 100 cents on the dollar.

The Chair: Further questions or comments? Shall Mr White's amendment to 28(6.1) carry? Carried.

Subsections 28(7) and (8), questions, comments or amendments? Shall 28(7) and (8) carry? Carried.

Shall section 28, as amended, carry? Carried.

We're going to return to section 22, which has been stood down. We're in a position where Mr White's amendment to Mr Grandmaître's amendment has carried. I understand that the motion, though, will not carry. I think members have a copy now. Mr White is prepared, with the agreement of the committee, to put an amendment to section 22 that makes it similar to 11(1)(f.1). So the suggestion is either we vote on Mr Grandmaître's motion, which has been amended by Mr White, which I'm told will lose, or you can withdraw that and we'll just have Mr White put the amendment.

Mr White: Which is in agreement with you with that second clause.

The Chair: Have you got a copy? Do all members have a copy? You don't have a copy of the new section?

Mrs Karen Haslam (Perth): No. As a clarification then, that would mean in the original motion by Mr Grandmaître the (b) section is not there and we would only be voting on a new revised (c) section as an individual.

The Chair: You've got it. That is perfect. Do we have that? So you have agreed, with unanimous consent, to withdraw your amendment.

Mr Grandmaître: Agreed.

The Chair: Now we have Mr White with an amendment.

Mr White: I move that section 22 of the bill be amended by striking out clause (b) and substituting the following:

"(b) the eligible borrower is an undischarged bankrupt under the Bankruptcy and Insolvency Act (Canada) or a compromise or arrangement has been proposed between the eligible borrower and the borrower's creditors under the Companies' Creditors Arrangement Act (Canada)."

This is substantively similar to the earlier motions and I believe Mr Grandmaître is in agreement with that.

The Chair: Questions, comments? Shall Mr White's amendment to clause 22(b) carry? Carried.

Shall section 22, as amended, carry? Carried.

Sections 29, 30, 31, 32, 33—

Mr Hope: Mr Chair, sorry to do this to you. There now have to be changes in the printed form that we have on the amendment that was being produced.

Mrs Haslam: Yes, (c) is to (b), as read.

The Chair: Have we got legal counsel?

Ms Klein: This is the one you have received? There's a new motion that was just read in; that was (b).

Mr White: The new motion that was read in was the correct one. What you have circulated isn't.

1510

The Chair: All right. We'll return to dealing with sections 29, 30, 31 and 32. We'll give members a moment to have a look at those sections. Questions, comments or amendments to sections 29, 30, 31 and 32? Shall sections 29, 30, 31 and 32 carry? Carried.

Section 33, section 34 and section 35: Questions, comments or amendments. Shall sections 33, 34 and 35 carry? Carried.

Section 36 and section 37: questions, comments or amendments. Shall sections 36 and 37 carry? Carried.

Subsections 38(1) and (2): Are there questions, comments or amendments to subsections 38(1) and (2)? Shall subsections 38(1) and (2) carry? Carried.

Mr Grandmaître: I have an amendment to subsection 38(2.1) of the bill.

I move that section 38 of the bill be amended by adding the following subsection:

"Tabling

"(2.1) The minister shall table in the assembly every year copies of all the annual and additional returns that were filed under subsections (1) and (2) in the past year."

The reason for this amendment, or this addition, is that instead of adding a sunset date to new programs, as was suggested some time ago, the minister table the year-end report for the Legislature.

Mr Mammoliti: Again, we're talking about language that I don't think is necessary in this piece of legislation. I would ask staff if there's anybody who's familiar with perhaps the freedom of information act whether or not this type of information can be gathered through that form as opposed to throwing it into this bill.

Mr Loken: It's my understanding that corporate information of this nature is not subject to the freedom of information act.

Mr Mammoliti: Not subject to the freedom of information act?

Mr Loken: If these returns were to be placed in a register.

Mr Mammoliti: So this type of information is not free to the public? Is that what you're saying?

Mr Loken: It's free to the public.

Mr Mammoliti: It is or it isn't?

Mr Loken: It is not protected under the act from disclosure.

Mr Mammoliti: Can the average person on the street ask for this information and get it when they want? I think that's what the concern is here.

Mr Loken: It will I guess depend on the type of returns that are prescribed in the section and the information therein.

Mr Burns: I could point to two areas where there will a considerable amount of information available to the public. First of all, there's the register under section 5. It has the names of the directors and the corporations invested in and so on. And then as a result of the investor protection regime, there has to be continuous disclosure to investors. In order to get the offering statements approved, the loan funds would have to commit to making annual statements available to all their investors. So there will be information routinely published on the activities.

Mr Grandmaître: So what you're saying is that you don't see any problems for the minister to table a report at the end of the year.

Mr Burns: No, that's not what I said.

The Chair: Mr Mammoliti actually has the floor.

Mr Grandmaître: If the information is available, then, you know.

Mr Mammoliti: Is there a need for this to go into the act?

Mr Burns: I don't think so. Obviously that's the parliamentary assistant's prerogative, but not in my opinion.

Mr Mammoliti: If you were the parliamentary assistant, would you have it in the act?

The Chair: It's not really appropriate for Mr Burns to respond to that.

Mr White: In terms of the openness of public records, for example, the Stratford Festival in Ms Haslam's riding has a fairly substantive level of public support but I don't believe that their records are necessarily tabled in the Legislature every year, nor are those of the National Ballet company or a number of other facilities that are publicly supported. I think if we're looking at the tabling of some 65 or 70 year-end reports, that's a fairly extensive amount of documentation which we as legislators already have. That amount would simply weigh us down and I'm not sure it would be presented in a way that would be either readable or terribly interesting to us, but it would be accessible through the Freedom of Information and Protection of Privacy Act.

The Chair: I have Mr Hope, Ms Haslam and back over to you.

Mr Hope: I personally have some particular concerns with that part of the amendment that's being put forward. I guess I look at it from a community perspective which is willing to take opportunities in creating a business or developing jobs in its community—in the revealing because it says also the returns prescribed by information prescribed by regulations.

If the information is in quite detail—and nor do I believe there would be corporate espionage or whatever, but you never know—the opportunities that could be there of another sector trying to invade in the company you've established or the work that you've done.

I would be a little fearful in just revealing everything that is possible without the protection of freedom of information act or the corporate act or whatever act is out there.

I understand what he said, but what you're asking in the amendment—you're asking that in addition the returns would be tabled and also the annual reports to be tabled. You're asking all information now that is being referred to the minister—because we don't know what's in the prescribed regulation or the information they're going to be looking for—everything of that nature to be tabled before the Legislature.

One whose community feels the opportunities of this—and I'm looking, I'm being protective of my own community. I'm a little concerned about the amount of information that's being revealed on what we are doing. I guess my own personal view and that of others is that I have a particular problem in putting this piece into the act. I believe that if people are concerned in my community and want to know about it or somebody else wants to find out about it, they will go through the proper channels that are currently in place to access information.

Mrs Haslam: Well, I look at it in a different way. I just see it: There will already be annual reports. There will already be a lot of things on file. To just package that up and then reintroduce it into the Legislature, I don't see the use of bringing it to the Legislature and tabling these 70 things at the Legislature when they—to me, that's a duplication of what is already out there in the public venue.

Mr Grandmaître: The fact that this is a new program and a lot of our presenters were a little leery about this program, I think it's only right to table a report at the end of its first year of operation. If it's a good program, well, let's carry on. But let's examine, let's examine.

Mrs Haslam: But you say every year in this, not just the first year.

Mr Grandmaître: Well—

The Chair: Further questions—

Mr Grandmaître: If it doesn't work after the first year, I'm sure the government will cancel it. I'm sure the government will do something else.

Mrs Haslam: But if it's working, you're not just asking for first year, you're asking every year and then you get 70—

Mr Grandmaître: Well, let's find out after the first year. If it works after the first year—

Mrs Haslam: But your amendment says every year.

The Chair: Could we have one at a time?

Mr Grandmaître: Yes.

Mrs Haslam: Oh, okay.

The Chair: Further questions/comments.

Mr Grandmaître: The vote.

The Chair: Shall Mr Grandmaître's amendment to subsection 38(2.1) carry? All in favour? Opposed? The amendment's lost.

Subsection 38(3): questions, comments or amendments? Shall subsection 38(3) carry? Carried.

Shall section 38 carry? Carried.

Section 39: questions, comments, amendments, section 39? Shall section 39 carry? Carried.

Section 40: I believe we have a government amendment. Mr White might want to get a drink of water.

1520

Mr White: The committee may wish to have a short break. I move that section 40 of the bill be struck out and the following substituted:

“Definition

“40(1) In this section, ‘document’ includes a book of account, bankbook, voucher, receipt, correspondence and any other record, whether the document is on paper or is in electronic, photographic or other form.

“Audit powers

“(2) For the purpose of determining whether there is compliance with this act, an employee of the ministry who is so authorized by the minister may conduct an audit of a community economic development corporation, eligible business or eligible borrower, and in conducting an audit,

“(a) may enter any place during normal business hours;

“(b) may request the production for inspection of documents that may be relevant to the audit;

“(c) upon giving a receipt, may remove from any place documents produced under clause (b) for the purpose of making copies or extracts and shall promptly return them to the person who produced them;

“(d) may question a person on matters that are or may be relevant to the audit subject to the person’s right to have counsel or some other representative present during the examination; and

“(e) may call upon experts for such assistance in conducting the audit as the employee considers necessary.

“Identification

“(3) When exercising a power of entry under this section, an employee of the ministry shall produce identification and evidence of his or her authorization if requested to do so by the owner or occupier.

“Dwellings

“(4) No person conducting an audit under this section shall enter a place that is being used as a dwelling without the consent of the occupier except under the authority of a warrant issued under subsection (5).

“Warrant for search

“(5) If a justice of the peace is satisfied on evidence upon oath that there are in a place documents that there is a reasonable ground to believe are relevant to the carrying out of an audit, and entry has been denied or will be denied, the justice of the peace may issue a warrant authorizing the person named in the warrant to search the place for any such documents and to remove them for the purpose of making copies or extracts.

“Execution and expiry

“(6) A warrant issued under this section,

“(a) shall specify the hours and days during which it

may be executed; and

“(b) shall name a date on which it expires, which date shall not be later than 15 days after its issue.

“Extension

“(7) A justice of the peace may extend the date on which a warrant expires for an additional period of not more than 15 days before or after the warrant expires upon application without notice by the person named in the warrant.

“Admissibility of copies

“(8) Copies of, or extracts from, documents removed from premises in the course of an audit and certified as being true copies of, or extracts from, the originals by the person who made them are admissible in evidence to the same extent as, and have the same evidentiary value as, the documents of which they are copies or extracts.

“Obligation to produce and assist

“(9) If an employee of the ministry so authorized makes a request under clause (2)(b), the person having custody of the document shall produce it to the employee and shall at the employee’s request,

“(a) provide such assistance as is reasonably necessary to produce the document in a readable form, including use of a data storage, processing or retrieval system; and

“(b) provide any other assistance that is reasonably necessary to the employee conducting the audit.

“Obstruction

“(10) No person shall hinder, obstruct or interfere with an employee of the ministry conducting an audit under this section or otherwise impede an employee of the ministry in carrying out his or her duties under this act.

“Offence

“(11) Any person who contravenes subsection (9) or (10) is guilty of an offence and on conviction is liable to a fine of not more than \$5,000 on a first offence and not more than \$10,000 for each subsequent offence.”

The Vice-Chair (Mr Hans Daigeler): Any comments?

Mr Mammoliti: Mr Chair, I didn’t hear that.

The Vice-Chair: Any comments? No comments?

Mr Hope: It’s like a novel that somebody has written overnight. I guess I seriously have to ask, why is this in such detail, through the parliamentary assistant to the staff? You know, somebody must have spent the wee hours of the morning putting this together. Has this, with the auditing and stuff like that, been done through the Provincial Auditor? Looking at it, does this all fit in the scope of—like, I’m just wondering, we went from a little piece to a giant-size, humongous thing of definition and I’m just curious why.

Mr White: Basically, the issue is that balance between a protection of the provincial guarantee on our investment and a freeing of local talents at a local level. Obviously, these powers are not going to be generally or widely used, but in the event that there is a need to control, audit or verify the expenditure of public funds, it's important that the minister have these powers, and the present legislation that exists is considered to be insufficient and needs to be strengthened and articulated as it is here.

The Vice-Chair: I think the question really was as to why was that not included in the original bill.

Mrs Haslam: No, that's not what the question was.

The Vice-Chair: Was that not the question? Anyway, it's up to the questioner to clarify his own question, unless he's satisfied with the answer.

Mr Hope: I look at a section, section 40, somebody just read a novel off. It went into fines and everything else. It talked about, may only enter during normal working hours, and I just ask the question, why all of a sudden is there such a tightening? Was there consultation with the Provincial Auditor on auditing process? You're talking about fines and everything else that's going to be levied. You talk about if one person hands a piece of paper over, make sure it gets back to another one and that's—I'm sorry for slipping out during your reading of that, but my coffee had to be relieved. But I'm just looking at it and I'm saying, Jeez, why all of a sudden such a drastic change? I guess I really would like to know.

Mr White: I think the articulation, Mr Hope, sounds drastic in its length and doesn't come trippingly to the tongue, but the clause here does reflect a number of concerns that were raised. I recall that the Conservative critic, Mr Johnson, raised these concerns, both here and in the Legislature, and they were brought up during testimony by the Ontario Federation of Agriculture, Mr Pell, by the CODA, Portcam International and, I believe, Mr Sharwood.

I think again it's a matter of balance. On the one hand, we're extending greater flexibility in terms of the community loan funds and in terms of the CISCs, in terms of the proportion of shares etc; on the other hand, while we're doing that and we're freeing them up to act in a creative way in the local communities, we also want to have both those protections for public funds and for the taxpayers' investment.

Mr Mammoliti: I, like Mr Hope, am concerned about language and cluttering up the bill. I'd like to refer to a concern I have with the obstruction paragraph, which would be subsection (10), and the offence, subsection (11). Are you saying there is no other act in Ontario that might cover us when it comes to somebody hindering or obstructing an auditor when they're doing the books? If there is another act, why do we need this

language in here? I assume that act would probably supersede this one or take charge when somebody is hindering an audit.

Mr Loken: The legislation would require a specific offence for an action to be carried out under the legislation. I'd just note in response to the concerns that these audit powers have been worked out with the Ministry of the Attorney General and reflect current policy and are fairly standard with recent legislation. There's nothing extraordinary here that does not appear in other recent bills of this nature.

Mr Mammoliti: So it's consistent with other bills and this type of language is in other bills as well?

1530

Mr Loken: Yes, the Employment Equity Act, I believe it is, presently before the Legislature contains very similar—

Mr Mammoliti: I would assume then that if this language isn't in any of the other acts that are in Ontario, any individual who would work for the particular ministry could in essence hinder or obstruct an audit when it's taking place. Am I to assume that we need this type of language in every act to stop this from happening? I don't think the solution is to add this type of language to every act. I would argue that maybe we need to draft up a form of legislation or an amendment to the Criminal Code or something that would address this issue. I'm concerned about language, that's all.

Mr Loken: Well, it would certainly be a criminal offence if someone assaulted someone, but what we require here is a specific offence under the act to allow our auditors to carry out the work to enforce the—

Mr Mammoliti: So it's necessary to have the language then.

Mr Loken: It simply makes it a provincial offence to hinder an auditor in his work.

Mr Mammoliti: Okay.

The Chair: Further questions or comments on Mr White's amendment to section 40? If not, shall Mr White's amendment to section 40 carry? Carried.

The Chair: Section 41. Mr White?

Mr White: I move that clause 41(1)(a) of the bill be amended by adding at the end "or the regulations."

The reason for that is very straightforward, that the act and the regulations are part and parcel of the whole program and therefore the contraventions of one are contraventions of the other.

The Chair: Questions, comments? Shall Mr White's amendment to 41(1)(a) carry? Carried.

Clauses 41(1)(b), (c), (d), (e), questions, comments? Shall 41(1)(b), (c), (d) and (e) carry? Carried.

Subsections 41(2), (3) and (4), questions, comments or amendments? Shall 41(2), (3) and (4) carry? Carried.

Shall section 41, as amended, carry? Carried.

Section 42: Questions, comments or amendments? Shall section 42 carry? Carried.

Questions, comments or amendments to subsection 43(1)? Shall subsection 43(1) carry? Carried.

Subsection 43(2)? Mr White.

Mr White: I move that subsection 43(2) of the bill be amended by adding the following clause:

“(d.1) prescribing terms and conditions to be included in any agreement entered into by a community investment share corporation for the purpose of investing in an eligible business.”

In straightforward terms, the ministry may require the authority to prescribe certain terms and conditions for such agreements; for example, the CISC shall not invest until the eligible business provides assurance that it is in compliance with the act.

The Chair: Questions, comments regarding Mr White's amendment? Shall Mr White's amendment to 43(2)(d.1) carry? Carried.

We will have a look then at 43(2)(a), (b) and (c).

Mr White: And (d).

The Chair: Clauses 43(2)(a), (b), (c) and (d). Thank you. Questions, comments? Shall 43(2)(a), (b), (c) and (d) carry? Carried.

Clause 43(2)(e).

Mr White: I move that clause 43(2)(e) of the bill be amended by inserting before “registered” in the fourth line “trusts governed by.”

The reason for that is obviously a technical clarification. Securities may be purchased through self-directed RRRPs directly and there's no change in the meaning of the act.

The Chair: Questions, comments? Shall Mr White's amendment to 43(2)(e) carry? Carried.

Clauses 43(2)(f), (g), (h), (i), (j), (k), questions or comments? Shall clauses 43(2)(f), (g), (h), (i), (j), (k) carry? Carried.

Clause 43(2)(k.1), Mr White.

Mr White: I move that subsection 43(2) of the bill be amended by adding the following clause:

“(k.1) defining any word or expression used in this act that has not already been expressly defined in this act.”

The Chair: Questions or comments?

Mr David Johnson: I think it speaks for itself. I don't know if I expect an answer on that, but it seems to me that there are a whole lot of things that are being left to the regulations. Is this normal? Not having a long history here, I think I would ask for a more impartial source, but I guess there are no impartial sources, are there?

The Chair: This isn't the place.

Mr David Johnson: It seems to me like a lot of things are left to regulations. You're sort of waiting till the regulations come out to know what you've really got.

Interjection: When in doubt, don't do anything.

Mr David Johnson: This one speaks for itself in that regard.

The Chair: Questions, comments? Clause 43(2)(k.1) carried? Carried.

Clauses 43(2)(l) and (m): Questions or comments? Shall 43(2)(l) and (m) carry? Carried.

Mr White.

Mr White: I move that subsection 43(2) of the bill be amended by adding the following clause:

“(m.1) prescribing information that may be collected from individuals or corporations by the ministry or the Ministry of Finance for the administration or enforcement of this act.”

This motion would give specific authority to collect information to assist the ministries of Municipal Affairs and Finance.

The Chair: Questions or comments on (m.1)? Shall Mr White's amendment to 43(2)(m.1) carry? Carried.

Clause 43(2)(n): Questions or comments? Shall clause 43(2)(n) carry? Carried.

Shall subsection 43(2), as amended, carry?

Subsections 43(3), (4) and (5): Questions, comments or amendments? Shall subsections 43(3), (4) and (5) carry? Carried.

Shall section 43, as amended, carry? Carried.

Section 44 and section 45: Do we have questions, comments or amendments? Shall section 44 and section 45 carry? Carried.

1540

Section 46: We'll deal with section 46 and we'll deal with subsections 112.1(1) and (2). Questions or comments? Shall those sections carry? Carried.

Subsection 112.1(3). Mr White.

Mr White: I move that the French version of subsection 112.1(3) of the Municipal Act, as set out in section 46 of this bill, be amended by striking out “l'empêchent” in the second and third lines and substituting “lui imposent des restrictions.”

As a matter of fact, I recall having had that same discussion during our last debate in the last bill. The very same phraseology was changed, as I recall, although a different clause in a different bill.

The Chair: Questions, comments?

Mr Grandmaître: May I ask you to explain the difference between “l'empêche” et “lui imposent”?

Mrs Haslam: You're the one who speaks French. We were hoping you would tell us.

Mr White: Perhaps I could ask an impartial source, such as the critic for francophone affairs.

Mr Grandmaître: If you're being "empêché," you're being restricted; and "lui imposent," by imposing something, you're still restricting something.

Mr White: I don't disagree. I have enough trouble with making these arguments in English.

Mr Grandmaître: I'm going to win this amendment.

The Chair: I think that perhaps we should ask Mr Daigeler.

Mr Daigeler: It's probably the legal language that makes a distinction, as the English does between "restricting" and "prohibiting." I guess you'd have to ask the legal expert.

The Chair: We have a staff member. Would you introduce yourself.

Ms Kelly Yerxa: Kelly Yerxa from Municipal Affairs, legal services branch. The change in the wording is to provide consistency really with subsections 112.2(4) and 112.2(5). The same wording is used in those subsections as well. It's mainly for consistency.

Mr Grandmaître: That's the only thing it does.

Mr Daigeler: You're right.

The Chair: Further questions or comments? Section 46 and subsection 112.1(3), Mr White's amendment. Shall 112.1(3) carry? Carried.

Subsections 112.1(4), (5), (6), (7), (8), (9), (10), (11), (12), and (13): Questions, comments or amendments? Shall section 46, subsections 112.1(4), (5), (6), (7), (8), (9), (10), (11), (12) and (13) carry? Carried.

Shall section 46, section 112.1, carry, as amended? Carried.

Section 46, subsections 112.2(1), (2), (3), (4) and (5): Questions or comments?

Shall section 46, subsections 112.2(1), (2), (3), (4) and (5), carry? Carried.

Mr White: I move that subsection 112.2(6) of the Municipal Act, as set out in section 46 of the bill, be struck out and the following substituted:

"Prohibited assistance

"(6) The power extended to a council of a municipality in this section does not include the power to, either directly or indirectly, obtain, guarantee or purchase an interest in,

"(a) an asset or liability, including a contingent liability, of a community development corporation;

"(b) a security acquired by a community development corporation; or

"(c) a guarantee of a community development corporation."

This basically articulates the way in which municipalities can operate in regard to CLFs, CISCs, community

economic development corporations, and states very clearly that while they can sponsor, be involved with, they cannot have an equity share, a profit derived from that venture, nor themselves make a direct investment.

The Chair: Questions, comments? Mr Johnson.

Mr David Johnson: On clause (c), when it says "a guarantee of a community development corporation," that means if the community development corporation needed money—is that the way this works—that it couldn't be the guarantor? Is that what you're saying, or what are you saying through clause (c)?

Mr White: That's right.

Mr David Johnson: Okay.

The Chair: Questions? Mr Hope.

Mr Hope: I'm reading the one that was in print in the bill and I'm looking at the amendment that's being put forward and my question would be, the only changes I see in this are in (a), in the second half of it, and then (b), and I'm wondering, what do you mean by "security acquired by a community economic development"? I'm wondering from legal if they can explain their (b) section of this amendment. Because everything else is currently in the legislation; the only change I see is the (b) in the amendment.

Ms Yerxa: That's right. The only change is clause (b) and that's just to ensure that if a community development corporation does acquire shares the municipality can't somehow indirectly or directly purchase those shares through the community development corporation or somehow participate in that purchase.

Mr Hope: What would your definition of "indirectly" be?

Ms Yerxa: Perhaps where operating funding is given by a municipality and then that operating funding is used by the community development corporation to purchase the shares. That would be indirect assistance.

Mr Hope: Okay.

The Chair: Further questions or comments?

If not, shall Mr White's amendment to section 46, subsection 112.2(6), carry? Carried.

Section 46, subsections 112.2(7), (8), (9), (10), (11), (12), (13), (14) and (15), questions, comments or amendments? Shall section 46, subsections 112.2(7) through (15), inclusive, carry? Carried.

Shall section 46, subsection 112.2, as amended, carry? Carried.

Shall section 46, as amended, carry? Carried.

Section 47, questions, comments or amendments to section 47? Mr Hope.

Mr Hope: It might sound like a stupid question, but if you don't know the answer you ask the question. In your definitions, you've got the county of Oxford. Is there a special piece of legislation that deals with it and

that's why you have to identify it in each of these sections?

1550

Ms Yerxa: That's correct.

Mr Hope: So it's because of a special piece. If there was a special piece covering any other municipality, this would have to be amended. Let's say, for instance, that a year down the road there's another amendment dealing with a piece similar to the county of Oxford. How would you make that change to accompany that other changed legislation?

Ms Yerxa: If I'm understanding your question, if another municipal entity is created that's not covered by this definition, then it would either have to be covered in the legislation that creates that new municipal entity—and that would be the preferable approach—or an amendment to this legislation.

Mr Hope: Yes, because where the concern arises is in rural communities where we know the financial hardship means a lot of smaller rural communities might pull together and unify themselves and then create legislation. I'm wondering: If they did that, they would have to amend in that legislation opportunities under this?

Ms Yerxa: If by that amalgamation they were no longer classified as a municipality, a local municipality or a metropolitan or regional municipality or a county, then yes.

The Chair: Further questions or comments to section 47?

Mr Grandmaître: Also, if I'm not mistaken, the county of Oxford was created under its own legislative act, so that's why we need to include it, because it would be left out, in other words, because of the Oxford act.

Mr Hope: That's what I was concerned about. I keep seeing it in print and I'm just wondering, for clarification.

The Chair: Further questions or comments regarding section 47? Shall section 47 carry? Carried.

Section 48, 210.1(1) and (2), questions or comments? Shall section 48, 210.1(1) and (2) carry? Carried.

Mr White: I move that subsection 210.1(3) of the Municipal Act, as set out in section 48 of this bill, be struck out and the following substituted:

"Contents of agreements

"(3) Agreements under subsection (2) may allow for the lease, operation or maintenance of the facilities by any person and, despite subsection 191(1), for the sale or other disposition of municipal land or buildings that are still required for the purposes of the municipality."

This amendment is technical in nature and is meant to clarify the wording to reflect the policy and to allow for the provision of municipal capital facility through a

coverture and the temporary disposition of municipal property involved in that type of arrangement will be permitted. Without this amendment, a municipality can only dispose of municipal land and buildings if they're no longer required for municipal purposes.

The Chair: Questions or comments?

Mr Hope: I have to ask, through the parliamentary assistant, through legal—I want to give you a hypothetical situation where we're seeing plant closures are happening because of some federal policies. Municipalities have the option of for \$1 to purchase companies or plants and the capital structure that's there. Would this in any way hinder that relationship between the economic development and the municipality if they were to take over that building for \$1 and then a lease-back arrangement with—like you say, it clarifies. Let me tell you, it just confuses the shit out of me.

Mrs Haslam: Ooh. Withdraw it.

Mr White: You're going to withdraw that last analogy, I'm sure.

Mr Hope: No. I'm sorry for being quite frank, but Jeez—

Mr White: Could I refer that issue to Dale Taylor, with the Ministry of Municipal Affairs, municipal finance.

Mr Dale Taylor: I think we're talking about basically a different kind of question there than what is provided for here, which is providing municipal facilities to carry out municipal purposes. So to that extent, they're really unrelated. It wouldn't affect the kind of issue you're talking about. Also, we may have a legal comment on whether they're able to do the kind of thing you were talking about.

Ms Yerxa: This section, this amendment to the Municipal Act, is only allowing municipalities to coventure for provision of municipal capital facilities, not to allow them to purchase private sector facilities and operate them.

Mr Hope: The only question why I raised this is because when I was reading the whole section through, municipal capital facilities—if they purchase it, then it becomes a municipal capital facility, and then I heard your explanation saying "under normal operations." Do you understand where I'm coming at with this? No. I'm trying to get clarification of the legalese that you have here.

Ms Yerxa: I can take that question. "Municipal capital facility" will be defined somewhat in regulations and "municipal capital facility" is intended to only include facilities that municipalities normally operate. So at this point I guess it's not contemplated that it would be pulp and paper mills but sewage treatment plants.

Mr Hope: Why I posed this question is dealing with the issue, and those who understand the program that is

going on in Nova Scotia with the incubator process that they have there; there is municipal involvement and the capital structures could be there. Your definition—you've just cleared it for me. You say under the regulations they're going to define "municipal capital." I'm hoping before somebody actually makes a total decision on that, when you're considering the definition, remember that municipalities do have the option, when companies do close their doors and move to Mexico or the United States, that there is an opportunity for some municipalities through, they call it corporate citizenship, to buy the structure that is there for \$1.

Just when you're defining "municipal capital facilities," remember if a municipality purchases a facility, it becomes, in definition, a capital facility, but in actuality they just purchase it in order for economic development. We can talk later about it. I'm concerned about your definition in the regulations around "municipal capital facilities," because that option is there for municipalities to buy for \$1. Then it becomes in their realm. Oh, it happens. Let me tell you, with the free trade agreement and the plant closures, it's been happening quite frequently. Campbell Soup is just trying to do it.

Mr Grandmaitre: Would it be fair to say "existing municipal facilities"? Because he's going beyond this.

Ms Yerxa: Subsection (2) of this section provides for the provision of "municipal capital facilities," and "provision" is intended to mean newly constructed facilities.

Mr Hope: We'll see when the regs come out.

1600

The Chair: Further questions or comments?

Shall section 48, subsection 210.1(3), carry? Carried.

Section 48, subsections 210.1(4), (5), (6). Questions, comments? Shall subsections (4), (5) and (6) carry? Carried. Mr White.

Mr White: I move that subsection 210.1(7) of the Municipal Act, as set out in section 48 of the bill, be amended by striking out "taxes" in the second line and substituting—

Interjection: Did you say 21.1?

Mr White: 210.1(7)—

Mrs Haslam: It's 210.1.

The Chair: Order, order.

Mrs Haslam: I just don't want you to make a mistake and have to change something. That's the teacher in me.

The Chair: Questions, comments.

Mr White: Excuse me—and substituting "taxation for municipal and school purposes."

The purpose of this is strictly technical in nature, to clarify the wording to ensure that it reflects that this

policy is for either municipal or school board taxes.

The Chair: Questions, comments on Mr White's amendment? Shall Mr White's amendment to section 48, subsection 210.1(7) carry? Carried.

Subsections (8), (9), (10) and (11). Questions, comments or amendments? Shall subsections (8), (9), (10) and (11) carry? Carried. Mr White.

Mr White: I move that subsection 210.1(12) of the Municipal Act, as set out in section 48 of the bill, be amended by striking out "taxes" in the fifth line and substituting "taxation for municipal and school purposes."

That's identical to the last amendment.

The Chair: Questions or comments? Shall Mr White's amendment to (12) carry? Carried.

Subsections (13), (14), (15), (16) and (17). Questions, comments, amendments? Shall subsections (13), (14), (15), (16) and (17) carry? Carried. Mr White.

Mr White: I move that subsection 210.1(18) of the Municipal Act, as set out in section 48 of the bill, be struck out and the following substituted:

"Taxes struck from roll

"(18) Until the assessment roll has been revised, the treasurer of the local municipality shall strike from the roll taxes that are exempted by reason of a bylaw or resolution passed under this section."

Of course, the reason for this amendment is the same as the last two.

The Chair: Questions and comments? Shall Mr White's amendment to subsection (18) carry? Carried. Mr White.

Mr White: I move that section 210.1 of the Municipal Act, as set out in section 48 of the bill, be amended by adding the following subsection:

"Assessment Act

"(18.1) The tax exemption under subsection (7) or (12) shall be deemed to be an exemption under section 3 of the Assessment Act, but shall not affect a payment required under section 27 of that act."

The Chair: Questions or comments?

Mr Grandmaitre: What does it mean?

Mr White: I'm glad you asked. This amendment is to ensure that municipal capital facilities provided under this section are treated in exactly the same manner as facilities owned and operated by the municipality. This is achieved by ensuring that a tax exemption provided under subsection (7) or (12) is an exemption on the assessment roll, but that payments now made by some municipal facilities under section 27 of the Assessment Act—that public utilities continue to be paid.

Mr Grandmaitre: Did you read the amendment right?

The Chair: Mr Johnson.

Mr David Johnson: What is section 27 of the Assessment Act? Does it pertain to utilities? Is that what I heard?

Mr White: I'll refer it to legal counsel.

Ms Yerxa: Section 27 of the Assessment Act gives a definition of "public utilities" and requires those facilities defined as public utilities to make payments in lieu, even though they're not paying taxes.

Mr David Johnson: This then says what? How does this pertain to a hydro utility?

Mr White: It doesn't. They're not included.

Ms Yerxa: No. Hydro utilities wouldn't be covered.

Mr David Johnson: Well, you were talking about utilities.

Ms Yerxa: Perhaps waste disposal or landfill sites.

Mr Taylor: And sewer and water. Basically, the environmental services-type facilities are covered in that section of the Assessment Act. This is one area where municipal facilities do make payments. The basic principle in this whole section is that facilities that are provided under agreements in this section are to be treated exactly like municipally owned and operated facilities are now. For most means and purposes, they are tax-exempt on the assessment rolls, but we wanted to make sure that where municipal properties of some sort do make payments in lieu of taxes, that's also continued. We're trying to maintain the same treatment.

Mr David Johnson: So the basic assumption here is that some such facility would somehow come under either a loan fund or a share corporation?

Mr Taylor: No. This has nothing to do with the other parts of the bill. This is standalone. It's in here because it relates to economic development, to have and keep up our local infrastructure.

Mr David Johnson: Can you give me a scenario?

Mr Taylor: In this section, we're basically talking about municipal offices or infrastructure, whether it's the physical infrastructure, like the hard services, or some type of recreation or social infrastructure that requires municipal tax financing to provide the facilities through conventional means. This makes available alternate means to provide those public facilities so that they don't have to put municipal capital dollars up front. They can, through a partner, finance and procure those facilities.

Mr David Johnson: You're talking about the partnership arrangement.

Mr Taylor: That's right.

Mr David Johnson: These utilities would still have to pay whatever they would normally have to pay.

Mr Taylor: That's right. We want to make sure that they are treated as if the municipality were wholly owning and operating them in the conventional way.

The Chair: Shall Mr White's amendment to section 48 of the bill, adding subsection 210.1(18.1) to the Municipal Act, carry? Carried.

Shall subsection 210.1(19) carry? Carried.

Shall section 48, as amended, carry? Carried.

In the interests of sanity, we will take a 10-minute break.

The committee recessed from 1609 to 1624.

The Chair: We have returned after a recess and we are now dealing with section 49. I think we should have Mr Johnson make his motion and I'll rule it out of order.

Mr David Johnson: That's very kind of you. Do I get to say why I'm moving it first?

The Chair: Yes.

Mr David Johnson: As you probably know, we got correspondence. I don't think we had a deputation, but we got correspondence.

The Chair: Would you like to make your motion?

Mr David Johnson: I move that section 49 of the bill be amended by striking out subsection (1).

The rationale for that is that we did receive correspondence from the regional commissioners of Ontario. Just quoting briefly from their letter—these are the commissioners, presumably, for whom this is intended to be a benefit, because this is aimed at the council, regional, metropolitan or district level. But the regional commissioners representing the municipalities of Ontario have said:

"We question the wisdom of the ministry assigning delegated powers to a municipality without the formal consent of its council." Without the formal consent. It doesn't say notification; it says the formal consent of its council. "The number, qualifications and integrity of planning staff seem to be important factors in the decision to delegate. Without formal council support for delegation"—that's formal council support for delegation—"how can the ministry and all other agencies involved in these approval processes be assured that these resources will be maintained by the municipality if delegation is assigned against council's will? In the aftermath of the expenditure control program and social contract, a lot of municipalities may no longer have the ability to maintain the resources to carry out new additional responsibilities assigned to them."

So they are speaking against this assignment of responsibilities, and I'm suggesting at this time that we recognize that.

I consulted with the planning staffs of the two municipalities that I represent, North York and East York, and both concurred with the regional planning commissioners that this was not an authority, I guess, that they wanted to see the provincial government take on. So they're both opposed to this section as well.

The Chair: Thank you, Mr Johnson. As you know, or should know, your motion is out of order because you can strike this by voting against the section.

Now, section 49, subsections (1), (2), (3)—

Interjection.

The Chair: Mr White. I'm sorry.

Mr White: I move that subsection 4(2.1) of the Planning Act, as set out in subsection 49(1) of the bill, be amended by adding after "may" in the first line "after the prescribed notice is given."

The reason for this amendment is to require that notice be given to the public before the minister delegates his or her approval authority to a municipality. The way in which notice is given will be prescribed by regulation. This will ensure that the minister's decision is made in an open, consultative way and that the public is fully informed of this delegation of powers.

The Chair: Questions or comments? Mr Johnson.

Mr David Johnson: Mr Chairman, if I can just ask of whatever staff—is this the staff that's involved with this? In view of the fact that the regional planning commissioners don't support this—and my own municipalities as well, whatever that's worth—what is the rationale behind doing this?

Ms Diana Dewar: The purpose of the amendment is to remove the requirement that a municipality has to request the minister for delegation before the minister would delegate the approval authority. Consultation with the municipality would always occur, and only municipalities which were capable of undertaking the authority and which had the staff and the administrative capability would actually be considered eligible for delegation.

Mr David Johnson: Can I assume that this is an initiative from the provincial level but not from the municipal level? In other words, have you had a great number of requests from the municipalities to do this? Any requests?

Ms Dewar: To do the amendment?

Mr David Johnson: Yes.

Ms Dewar: The amendment was initiated at the provincial level.

1630

Mr David Johnson: At the provincial level?

Ms Dewar: Yes.

Mr David Johnson: So notwithstanding that the municipalities don't want it, you still think it should go in.

Mr Mammoliti: That's an unfair question to ask staff, I would think. Ask the parliamentary assistant.

Mr David Johnson: Well, it's an obvious one. The parliamentary assistant is free to answer.

Mr White: The argument that you're putting forth actually has to do, I would suggest, with the clause and

not with the amendment. The amendment has to do with public notification. Perhaps when we deal with the section as a whole rather than the amendment, we should return to that debate as you brought up in your proposed amendment.

Mr David Johnson: That'll be about one minute from now, but we could wait that long. You think I'll forget, do you?

The Chair: Mr Hope.

Mr Hope: Well, I will wait until we deal with the total section, because I was going to comment on some of the comments that have been made. I'd sooner wait and deal with the section as a whole.

The Chair: That's fine.

Mr Hope: Just put me back on the list, that's all.

The Chair: Shall Mr White's amendment to subsection 49(1) of the bill, subsection 4(2.1) of the Planning Act, carry? Carried.

Can we carry 2.1, as amended?

Mr David Johnson: Do you want me to ask my question now?

The Chair: This would be a great time, yes.

Mr David Johnson: Would you like to respond now?

Mr White: You put forth an interesting and important question. The issue is the capability of the municipality, which would be ascertained by the minister. If that municipality, particularly and most likely an upper-tier municipality, has the capacity, it should be assuming that role. That's certainly consonant, as we know, with the recommendations by Mr Sewell, and we haven't received any major objections from municipalities; that is, the local municipalities.

The issue here is that those costs involved in approving plans should be dealt with on a staged level, and again we had described being consonant with the planning commission's recommendations and not necessarily assumed at the provincial level.

Mr David Johnson: Just to comment on those comments, first of all, in terms of who is able to assume the responsibility, I gather that is the interpretation of the province as opposed to the council, I guess in this case the regional council. So there could well be a difference of interpretation there. Some of the regional county councils may think they don't have the wherewithal, don't have the resources to do this, and I suspect that some of the opposition is a concern that this may be forced on them, with the provincial government saying, "We think you have the resources to do it, or we think you could raise your tax rate and hire more people and do it," and that sort of thing, and the regional councils feeling that they may not wish to go that route.

Secondly, in terms of no opposition, there would be very few municipalities that would know this clause is

in here other than perhaps the regional planning commissioners and, you know, people of that ilk. So I suspect that's why there may not be a whole lot of comment on it.

Thirdly, in terms of the Sewell report, if you don't think there's going to be opposition on the Sewell report, look out.

Mr White: Indeed.

Mr David Johnson: I mean, I know here in Metropolitan Toronto there's going to be a great unrest with this aspect of the Sewell report. In the first draft of the Sewell report, the regional municipalities were not given this extra authority. Out of nowhere, at least in the view of the local municipalities, the Sewell report in its final version did give more authority to regional governments. I know the local governments are most concerned about that, and that concern is the same sort of concern that the planning commissioner for East York expressed in opposition to this particular clause when I asked him to specifically have a look at it. He wouldn't have had a look at it if I hadn't asked him, nor would the planning people in North York, because they weren't aware of it and they have other things to do. But when I specifically asked both of them to have a look at it, they raised opposition and they raised concern about the Sewell report going in the same direction that this is.

I guess you're intent to proceed with this, but reality is that there will be opposition to the Sewell report, and it's the same sort of opposition that you're going to find to this.

Mr White: I quite appreciate that, and I think there are several factors that weigh in here. This issue of course is something which we had lengthy discussion about recently, and certainly you may recall that last Monday afternoon this very issue came up, the upper-tier municipalities, especially with the amendment that that delegation will occur with full public knowledge and also, of course, there will be consultation with the upper-tier municipality in terms of that delegation.

The issue that you mentioned in terms of the difference of opinion between the upper-tier municipality and the province in terms of whether or not they have the capacity to do that function is something which I will ask Diana Dewar from Municipal Affairs to comment on. But before that, I'd just simply indicate that when you mention the regional planning commissioners of Ontario, those powers already exist in most of the regional planning commissioners through most of the regions in the province of Ontario at present. This only extends that where the criteria are met and where it is appropriate.

Ms Dewar: Most municipalities, most regions and counties, already play a major role in the planning approval process. By removing the requirement for

provincial approval and delegating it to the region or county, it is eliminating one level of approval authority. So most of them are already dealing with applications and the other agencies and doing quite an extensive review.

Mr Hope: I've been listening to some of the comments that have been raised, and as I was reading both, currently a lot of municipalities already go under the reviewing-planning process. I was interested in listening to the letter, saying, well, it's dealing with social contract and expenditure control plans that are put in place. I guess we all have to take financial responsibility when we're dealing with our community. I find it hard to use that as an argument, to make sure that justice is being served in your own community. You talk about the minister offloading. I'm sure it will be done in proper consultation after a proper review and proper notification whether to exercise the powers that have been bestowed upon here.

But I would ask, because I know in some of my own communities in rural Ontario—and I don't know where townships would fall in this process, because you're saying county governments. I know some of my townships would like to get away from the county planning and would sooner deal with their own because the townships are closer to it. Under all of this section, where is the process for townships to have this authority, townships which would probably like to take it on and to make sure that they're playing an overall economic renewal strategy in their communities? Where is the power to be bestowed to them? I don't know if it's something I'm missing where you've got county, you've got region, you've got metropolitan and you've got towns and cities, but I don't see anything mentioned about township responsibilities.

Ms Dewar: It's already in the existing legislation.

1640

Mr Hope: So that would fall under the existing—

Ms Dewar: The existing legislation, yes.

Mr Hope: I beg to differ. I don't know where these commissioners are. I don't know whether they represent all of Ontario, but I know a lot of people in rural Ontario who would like to see more power put to them in designating that power to choose their own destination on economic renewal. I believe they're willing to take that on. Yes, there is a cost associated, but there is also a cost associated if you don't take it on, because if you ever tried moving the paperwork through the provincial system, it takes for ever. If they have the jurisdiction, they can expedite and probably help stimulate a lot of economic growth in their community.

Mr Wiseman: I'm just going to follow up where Mr Hope came from on this paperwork business. It's precisely because of the amount of duplication in the system and so on that this kind of amendment has come

forward in order to expedite processes and allow for some of those processes to be done to get some of those projects that are mired in paperwork unglued and ongoing. I guess I have to question whether the objection of the commissioners and some of the local municipalities of Metro is a product of their really not wanting this kind of power or a product of a power play between the municipal council of Metropolitan Toronto and the tug of war that it's having with some of the local councils and the whole battle that is about to be fought in the next election over whether local municipal councils should be eradicated or whether the Metro council should be eliminated as a level of government. Perhaps these are just positioning points, because I don't really think their comments really reflect what this section in this amendment are in fact trying to do.

The Chair: Further questions, comments? Shall subsection 49(1) carry? All in favour? Opposed? It's carried.

Subsections 49(2), (3) and (4): Questions, comments? Shall subsections 49(2), (3) and (4) carry? Carried.

Shall section 49, as amended, carry? Carried.

Sections 50, 51 and 52: Questions, comments or amendments? Shall sections 50, 51 and 52 carry? Carried.

Subsection 53(1), (2), (3) and (4): Questions or comments, amendments? Shall subsection 53(1), (2), (3), (4) carry? Carried.

Subsection 53(5), Mr Johnson.

Mr David Johnson: I move that subsection 34(31) of the Planning Act, as set out in subsection 53(5) of the bill, be amended by adding at the end "and the board shall notify the clerk of the municipality of that order."

This is simply allowing—it's probably a good idea—certain aspects of planning to proceed while other aspects of a proposal may be under appeal. But my amendment would ensure that the municipality was notified of what was proceeding and what was under appeal. It's simply to provide the notification to the municipality. It's possible that this was intended, at any rate; I'm sure it would be, you would think so. At any rate, this firms it up and makes it mandatory.

Mr Hope: I guess my question would be to the ministry officials, through the parliamentary assistant, dealing with the Ontario Municipal Board issuing orders. Do they currently under the process notify the clerks or clerk-treasurers—in some cases, if smaller municipalities, the clerk-treasurer—of what's going on in a process—I guess through the parliamentary assistant or the parliamentary assistant, through staff—about that?

Mr White: I think that's an excellent question. The present procedure is that they do always give notice to the clerk of the municipality. It's a standard practice; it

has been followed up for some time. This amendment is not really necessary. It does create some anomalies with other provisions under the Planning Act, but the earth wouldn't split up as a result of it being passed.

The Chair: Further questions?

Mr Mammoliti: Here we've heard from the Conservatives who have put the motion forward. Mr Johnson has said it's necessary for this to happen and the parliamentary assistant is now saying that the earth is not going to split up if it was passed. My concern, again, is, if it's not that necessary and if the Conservatives can recognize the fact that it's not that necessary, then they'll agree with me when I say that we don't need the language in the act. All you're doing with language—and the more language you put into an act is just confusing. The whole issue—

Interjection: It puts the Planning Act out of sync.

Mr Mammoliti: Yes, as my colleague has said, it puts the municipal Planning Act out of sync as well.

I hope I've got my message across today in terms of the amount of unnecessary language put in this act and others. We need to control it, we need to put the language in that the average Ontarian can understand as well. By throwing this stuff in, if it's not necessary, it's in my opinion a waste of paper and time and money as well because with every word, I guess, you draft into a piece of legislation, a lawyer somewhere is probably making a mint off that one word. If they aren't making that mint this year, they will be next year and they will be for the next 100 years. If it's not necessary, I would strongly recommend, Mr Chair, that the Conservatives reconsider and drop the motion. There's no need to even have a vote. It's not necessary.

Mr Grandmaître: What Mr Mammoliti is saying is we should be introducing bills with three pages and have 15 pages of regulations. Is that what you're saying?

Mr Mammoliti: What I'm saying is, with Conservatives and Liberals ruling over the last 60 years, I can tell you that there are many rich lawyers out there and that if there's anything that I can do, as a part of this caucus and part of this government, effectively—I think one of the most positive things I can contribute is the fact that I am somewhat concerned about the interpretation of legislation. The average person just can't understand it and we've made laws not to accommodate individuals when it comes to their reading of our acts, but to accommodate the lawyers out there and how much they charge for interpreting pieces of legislation you have drafted up over the years. In opposition, and I'll be very critical, you are continually doing this by throwing amendments at us that are useless. We've heard from the parliamentary assistant, we've heard from staff, that this is not necessary and you continue arguing your point and making sure that you are out to

represent, not the Ontarians we were all hoping you would represent, but lawyers and the amount of money that they make. I would strongly recommend again that you drop the motion and that there isn't a vote on this.

1650

Mr Grandmaître: And keep people in the dark.

Mr Mammoliti: Mr Chair—

The Chair: I really don't remember giving you the floor, but you may continue.

Mr Grandmaître: You don't have to, Mr Chair. My mike is on.

The Chair: I remember giving you the floor.

Mr Grandmaître: Thank you.

Mr David Johnson: I'll try to be a little subdued and comment. I doubt that there are too many lawyers who are going to make a mint out of this little amendment here but I guess it is possible. Anything is possible. I suppose, in terms of who represents the people of the province of Ontario, the polls will be instructive in that regard as to where the parties stand. We'll say no more about that.

My only concern here was this is a new procedure. The Ontario Municipal Board will be permitted to issue orders partially approving zoning bylaws, which is different from today. I don't think we could automatically assume—at least, I didn't automatically assume—that the same procedures that are in place today would automatically apply to this new procedure. If I can be assured by the staff and if they can tell me how this would be accommodated within the existing structure and process that is in place today, then I have no objection to withdrawing this motion. But this is a new procedure and we just want to be assured, as Mr Grandmaître has indicated, that the public is informed.

Mr White: Can you help?

Ms Elaine Ross: Elaine Ross, Municipal Affairs, legal services branch. The board has a whole variety of approvals under the Planning Act. In most cases, we say absolutely nothing about the fact that they need to notify people of the orders when they're made and the board always, as a matter of course, lets the municipality know what's happened. In fact, in most cases, the municipality is going to be a party at the hearing in any case. I can't even imagine a situation where they'd be there with their comprehensive zoning bylaw and not be a party. But if for some reason they weren't, the board has assured us that it would always give them notice.

Mr David Johnson: Mr Chairman, with that assurance, I'll withdraw the motion.

The Chair: Can we deal with subsection 53(5)?

Shall subsection 53(5) carry? Carried.

Shall section 53 carry? Carried.

Sections 54 through 60, inclusive, questions, comments or amendments.

Shall sections 54 through 60, inclusive, carry? Carried.

Subsection 61(1), the parliamentary assistant.

Mr White: Thank you very much, Mr Chair. I apologize for the rough-and-ready state of the amendment that has been circulated. I move that subsection—it is so rough in writing, I'm not quite sure where to start moving. Excuse me.

I move that subsection 54(2.1) of the Planning Act, as set out in subsection 61(1) of the bill, be amended by adding "(4)" after "(2)" in the second line.

The rationale for this is that it is a technical amendment which should have been available earlier. I apologize to the committee for that oversight, but it is now present and will be part of the bill, if passed, in final and good copy.

The Chair: Questions or comments on Mr White's amendment to subsection 61(1)?

Mr Grandmaître: What does it do?

Mr White: We're talking about a technical amendment which I will ask counsel to comment on.

Ms Ross: We basically missed subsection (4) when we were grouping those subsections in the bill. We did (1), (2) and (5) instead of (1), (2), (4) and (5).

Mr Grandmaître: Thank you.

The Chair: Shall Mr White's amendment to subsection 61(1) carry? Carried.

Shall section 61(2.1), as amended, carry? Carried.

Subsections (2.2)? Carried.

Subsections (3) and (4). Questions or comments? Shall subsections (3) and (4) carry? Carried.

Shall section 61, as amended, carry? Carried.

Section 62. Questions, comments? Shall section 62 carry? Carried.

Section 63. We'll deal with subsections (1) through (7). Are there questions or comments about subsections 63(1) through (7)? Shall subsections 63(1) through (7) carry? Carried.

The Chair: Shall section—

Interjections.

Mr White: I'm sorry, Mr Chair, there's some controversy at the moment, if you don't mind a second.

The Chair: We're having a little numbering problem, are we?

Mr White: Yes.

The Chair: Subsections 63(1) through (7) have carried, so we're now dealing with section 63, subsection 57(8).

Mr White: I move that subsection 57(8) of the Planning Act, as set out in section 63 of the bill, be amended by adding after "certificate" in the fourth line, "or order."

Mr Mammoliti: What does that mean?

The Chair: I was wondering whether somebody would ask that.

Mr White: This is a minor technical amendment to provide for consistency in wording within subsection (8) of the section. The amendment inserts the wording "or order" after the word "certificate" in the fourth line in order to be consistent with the second and third lines of the paragraph.

1700

The Chair: Good. Questions or comments? Shall Mr White's amendment to section 63, subsection 57(8), carry? Carried.

Section 63, subsection 57(9). Questions, comments? Shall section 63, subsection 57(9), carry? Carried.

Shall section 63, as amended, carry? Carried.

Shall 64 of the bill—Mr Johnson, you have a motion?

Mr David Johnson: Yes, my motion, which I'm sure you'll like, Mr Chairman, is that section 64 of the bill be struck out.

The rationale behind that is in line with the concerns that have been expressed by the Ontario Home Builders' Association. You will recall, Mr Chairman, in the brief from the Ontario Home Builders' Association that it outlined how the housing starts this year will be slipping below the 50,000 level, probably as low as 45,000, which over a period of time—it may be up a little bit from the previous year, but very low in a traditional sense and they're very concerned about the housing market in the province of Ontario.

They've also outlined in the same brief that there are 100,000 jobs that have been lost in the home building industry over the last period of time and that this is a tremendous human toll that I'm sure we're all concerned about here on this committee.

When posed the question of what these extra fees that we're looking at in section 64 would mean, they indicated that it's just another disincentive, another cost on the home that will have to be passed along to the purchaser that the purchaser's not able to bear. The bottom line is that it'll be another disincentive to the home building industry. As such, they're not in favour of it. Construction jobs are going to be lost and more people I guess on welfare depending on some sort of social assistance.

That's in line, I might say, with the article in the Toronto Star today which indicated that the growth in the province of Ontario is expected to be lower than anticipated in the budget. The key reason that was outlined was the \$2-billion increase in taxes through the recent provincial budget that we saw this last spring.

That just shows that when you tack more costs on, whether you call them fees, whether you call them tax, whatever you call them, they hurt. They cost jobs and

that puts people out of jobs and it's certainly going to be a disincentive to the home market here.

I would say this is not the time to do it. There may come a day when this particular amendment might make sense, but it isn't 1993. So if you rule it out of order, I'll certainly vote against the clause.

The Chair: Thank you, Mr Johnson. You prejudged me. I am going to rule it out of order because you can indicate your lack of support for this in the appropriate voting pattern.

We will then deal with section 64. Questions, comments?

Mr Hope: Well, to question and comment on some of the comments that have already been raised about the so-called prediction or the think tank, I think you should also outline, if you're going to put the bare facts on the table, that they also indicated that Quebec was a contributor. I believe that the process that is in charging fees is in line with what municipalities currently do in providing fees.

If the ministry and government are to do work similar to that, they should have the opportunity to put forward the fees that are there. I also know that sometimes the fees are evenly spread out after the fact anyway, on the home aspect of it.

You talked about the loss of jobs. A lot of those lost jobs are because of another economic policy that has been established by our colleagues in the federal government which has had a more devastating impact, at least to my community, which I can speak very strongly of, which has been faced through plant closures.

So your arguments that you put forward about the housing starts being down is not because of a budget that was produced, but it would be because of something that was outside of the workers' control. It's called the free trade. In future, it will be the North American free trade agreement. I predict probably if NAFTA goes through, we'll see our housing starts down even further because we'll put more people out of jobs.

But when I sit here and I look at the amendment that's being put forward to remove it, there is an opportunity for services rendered, which I believe is important. When you get a service, you should have to pay for it, which most people usually do.

The Chair: Thank you. Further questions, Mr Wiseman?

Mr Wiseman: Yes, I'd like to just put on the record my thoughts on this very briefly, and that is that the opposition seems to be very concerned with increasing taxation. I can tell you that for every subdivision that's built in a community that exists, the taxes for the rest of the community go up because the new subdivision does not have a tax base large enough to support the new infrastructure that is necessary in that community in

order to maintain education, roads and other infrastructure needs, so the taxes go up.

You only need to look at Ajax, for example, over the last six years, which has almost doubled the number of houses in the area and so has the taxation. That is a very serious element to consider, why taxes are going up. For example, in Pickering, the study has shown that they need \$50 million worth of reconstruction of the road systems there now, and as you add more roads, that reconstruction is going to have to take place on top of it. New schools, there are millions of dollars' worth of new schools needed in the community and there isn't a tax base to pay for it in the new subdivisions that are being created.

Studies have shown that frontages of 22½ to 25 feet are more economical than 40- and 60-foot frontages. Communities that are created on 2½- and 5-acre estate lots, the busing and the infrastructure that's necessary there causes the taxes to go up on everybody else's property and therefore the rest of the community winds up subsidizing those people who live on those big lots.

I think it's very important for us to understand that taxes are going to continue to go up as long as this kind of improper development continues to take place, and as urban sprawl continues, so will the tax increases necessary to pay for it. We can no longer afford to pass those taxes on to the rest of the communities that live in that area. Therefore, I think that when we talk about fees, we talk about the real costs of building subdivisions, we need to talk about it in its entirety and not just in terms of building one house. Thank you.

Mr Grandmaître: That's why you support lot levies.

The Chair: Mr White.

Mr White: Thanks very much, Mr Chair. The purpose of this section is to allow the ministry to recoup some costs that are involved in making these planning decisions. The Home Builders' Association has a very valid concern about the costs it incurs during the process of applying for planning approval etc. However, I think it's only fair that across the province, the same level of fees—and you have the undertaking, certainly, of the ministry that fees charged by the ministry would be in line with those that are presently charged by municipalities throughout the province. So there will be a fairness across the province that home builders will be paying more or less the same fees.

The areas that we represent I believe are already governed by lower-tier and upper-tier municipalities that charge fees. The number of homes built in Metro Toronto or Durham would not be significantly affected, in fact would not be affected at all by this section, as their upper-tier and lower-tier municipalities do charge fees. We are only asking that where, in some isolated areas of the province, an area requires the ministry to do

work that it could otherwise have done itself, or where it is not able to do it itself, those fees that the ministry charges should be reasonable and be a recompense for the work done so there's a fairness across the province.

The Chair: Mr Arnott.

Mr Arnott: I've listened to the parliamentary assistant's argument and I think he makes a good argument. However, it's irrefutable that higher fees, more money sucked out of the economy, will mean that there will be a higher end cost to the product, which is housing, which will mean, ultimately, less affordable housing which means, ultimately, there will probably be fewer houses built, which means ultimately there will be fewer Yorkview construction workers employed. I think that that argument is irrefutable and I leave it at that.

1710

The Chair: Further questions or comments on section 64? Shall section 64 carry? All in favour? Opposed? Section 64 is carried.

Section 65: Shall section 65 carry? Carried.

Shall section 66, clauses (a), (b) and (c) carry? Carried.

Mr White, section 66: You have an amendment adding clause (d).

Mr White: Section 66 of the bill, amending section 70.1 of the Planning Act.

I move that section 70.1 of the Planning Act, as set out in section 66 of the bill, be amended by adding the following clause:

“(d) prescribing the manner in which and by whom notice shall be given under subsection 4(2.1).”

This is a complementary amendment which is needed as a result of the government amendments to section 49 of the bill in terms of public notification. This amendment will give the minister the power to make the regulations prescribing public notice under subsection 4(2.1) of the Planning Act.

The Chair: Questions, comments? Shall Mr White's amendment to section 66, clause (d), carry? Carried.

Shall section 66, as amended, carry? Carried.

Questions, comments regarding sections 67, 68 and 69?

Mr Grandmaître: Can I ask a question at this point, Mr Chair? In the Parkway Belt Planning and Development Act, isn't the NEC, the Niagara Escarpment Planning and Development Act, wouldn't it be part of this? Why?

Ms Ross: There's a completely different act. There's a Niagara Escarpment Planning and Development Act—

Mr Grandmaître: I know, yes, and they're not being affected.

Ms Ross: They're not being affected, no. We're talking about zoning orders that are issued under the

Parkway Belt Planning and Development Act, and the Niagara Escarpment Commission has its own process of development control permits, so it's not affected.

Mr White: If I might just add to that response, it's simply that the Niagara Escarpment is under a different ministry and that's why the Parkway Belt Planning and Development Act, which is under Municipal Affairs, is included here while the other is not, as well as, of course, the fact that they have different procedures.

Mr Mammoliti: On a point of order, Mr Chairman: I've been pretty patient for 15 minutes. I had a meeting 15 minutes ago that I had to go to. I've been very flexible—

The Chair: And your point of order is?

Mr Mammoliti: If we want to carry on this conversation, then I suggest we adjourn. If not—

Mr Daigeler: Mr Chairman, on a point of order.

Mr Mammoliti: —then we hurry up and we carry on. I have to get going. I really do.

Mr Daigeler: Then leave. You were the one who held us up.

The Chair: On the same point, Mr Daigeler.

Mr Daigeler: Yes. I think the whip of the government has a nerve to say that, I mean, when he held up the proceedings at length after 5 o'clock.

Interjection.

Mr Daigeler: Well, that's precisely it. We agreed to extend beyond 5 o'clock.

The Chair: Further questions, comments to sections 67, 68 and 69. Mr Grandmaître.

Mr Grandmaître: One very short question to the parliamentary assistant, Mr Chair, and I'm not trying to delay it, George. Stay awhile. Learn something.

Now, to the parliamentary assistant: You say that the Parkway Belt Planning and Development Act is not under the same ministry as the NEC. It's under the same minister.

Ms Ross: Not any more. The responsibility for the Niagara Escarpment Commission was transferred to the Ministry of Environment and Energy over a year ago.

Mr Grandmaître: You're right, you're right.

Mr Grandmaître: You learned something, see?

Mr Mammoliti: I've learned never to stay another 15 minutes. That's what I've learned.

The Chair: Order. Further questions or comments to sections 67, 68 and 69? Shall sections 67, 68 and 69 carry? Carried.

I need unanimous consent to have the French version of the amendments adopted. Agreed.

Shall the bill be reported to the Legislature? Agreed.

This concludes the clause-by-clause consideration of Bill 40. I would like to thank all those who have been involved and particularly the clerk, our researcher, Anne Anderson, the parliamentary assistant and all members for their diligence in dealing with this bill. I would remind members that we did see all people who wished to make a deputation and we'd like to thank everyone for their cooperation. The committee is adjourned.

The committee adjourned at 1716.

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***Vice-Chair / Vice-Président:** Daigeler, Hans (Nepean L)

***Arnott, Ted** (Wellington PC)

Dadamo, George (Windsor-Sandwich ND)

Fletcher, Derek (Guelph ND)

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Morrow, Mark (Wentworth East/-Est ND)

Sorbara, Gregory S. (York Centre L)

Wessinger, Paul (Simcoe Centre ND)

***White, Drummond** (Durham Centre ND)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Conway, Sean G. (Renfrew North/-Nord L) for Mr Sorbara

Hope, Randy R. (Chatham-Kent ND) for Mr Morrow

Jamison, Norm (Norfolk ND) for Mr Wessinger

Wilson, Gary (Kingston and The Islands/Kingston et Les Îles ND) for Mr Fletcher

Wiseman, Jim (Durham West/-Ouest ND) for Mr Dadamo

Also taking part / Autres participants et participantes:

Haslam, Karen (Perth ND)

Ministry of Municipal Affairs:

Burns, Tim, senior policy adviser, community development branch

Dewar, Diana, manager, municipal planning policy branch

Loken, James, solicitor

Manara, Norman, manager, capital finance, municipal finance branch

Melnyk, Tania M., director, community development branch

Ross, Elaine, solicitor

Taylor, Dale, senior economist, municipal finance branch

White, Drummond, parliamentary assistant to the minister

Yerxa, Kelly, solicitor

Clerk / Greffier: Carrozza, Franco

Staff / Personnel:

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Klein, Susan, legislative counsel

Mifsud, Lucinda, legislative counsel

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Thursday 14 October 1993

Journal des débats (Hansard)

Jeudi 14 octobre 1993

**Standing committee on
general government**

**Comité permanent des
affaires gouvernementales**

Organization

Organisation

Environmental Bill of Rights, 1993

Charte des droits environnementaux
de 1993

Chair: Michael A. Brown
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STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 14 October 1993

The committee met at 1005 in room 151.

ORGANIZATION

The Chair (Mr Mike Brown): The standing committee on general government will come to order. The business of the committee this morning is to order our business for Bill 26, An Act respecting Environmental Rights in Ontario. Members will have a handout that you have before you that describes the agenda, and I would call your attention to the second page of that handout. On the second page there are a number of questions regarding scheduling and matters that we must deal with. Mr Mammoliti?

Mr George Mammoliti (Yorkview): I move a motion, Mr Chair. In reference to the topic the Environmental Bill of Rights, I move that on October 14 in the afternoon we hear from the minister, that on October 21 in the morning we—

Mr David Tilson (Dufferin-Peel): Point of order, Mr Chair.

The Chair: A point of order, Mr Tilson.

Mr Jim Wiseman (Durham West): You can't have a point of order in the middle of a motion.

The Chair: No, he can ask for a point of order. Mr Tilson has a point of order.

Mr Tilson: My point of order is, I'm having difficulty understanding what the mover of the motion is saying. I'm wondering whether it's possible, if he has it written out, if we could have copies of that motion.

Mr Mammoliti: I'm sure the clerk will be happy to read it out after I present my motion, Mr Tilson.

Mr David Johnson (Don Mills): Could you start again with October 14, with the first one?

Mr Mammoliti: On October 14 in the afternoon that we hear from the minister, on October 21 in the morning would be a technical briefing.

The Chair: That would be from the ministry, I assume.

Mr Mammoliti: From the ministry. Then in the afternoon we would commence our hearings. On October 28 in the morning we continue hearings. In the afternoon of the same date we would continue hearings. On November 4 in the morning we would start clause-by-clause and in the afternoon we would finish up with clause-by-clause.

I'd like to also finish the motion off with a recommendation.

Mr Tilson: Why are we bothering to appear?

The Chair: Order. Mr Mammoliti has the floor.

Mr Mammoliti: I'd like to finish off the motion with a recommendation that we consider Tuesday afternoons as dates to make up for perhaps time we might need for either witnesses or technical briefings.

Mr Bernard Grandmaître (Ottawa East): Do you want to repeat this for witnesses now?

The Chair: Just so that we can be clear, do you have a copy of that, Mr Mammoliti, that the clerk could photocopy and distribute to other members?

Mr Mammoliti: I've got some notes on mine. I think that perhaps we should hear from the clerk, if he's got it down pat. Then maybe the opposition would want to write it down after that. I've got notes on mine, so I think it's inappropriate to hand it out at this particular time.

Mr Tilson: Just crash them out, George.

Mr Mammoliti: Would you like me to repeat it?

The Chair: The clerk could perhaps repeat what he understands Mr Mammoliti's motion to be, and if that's satisfactory, then perhaps he could have that photostatted.

Mr Mammoliti: I'd be happy to repeat it as many times as you'd like.

The Chair: How be we have the clerk repeat what he believes your motion to be and if it's different, then you can let us know.

Clerk of the Committee (Mr Franco Carrozza): My understanding of the motion is that Mr Mammoliti moves that on Thursday, October 14, pm, there will be a briefing by the Minister of Environment and Energy; beginning on Thursday, October 21, in the morning there will be a briefing from the Ministry of Environment and Energy, in the afternoon of October 21 there will be a public hearing; then, commencing October 28, that's a Thursday, in the morning continue with public hearings, followed by the afternoon of the 28th with public hearings; then on November 7, that's another Thursday, in the morning there will commence clause-by-clause—

Mr Mammoliti: On the 4th.

Clerk of the Committee: November 4, I'm sorry—November 4, Thursday, in the morning it's clause-by-clause, in the afternoon it's clause-by-clause. The second part of that motion is that should there be need of further days, Mr Mammoliti recommends that we move to sit on Tuesdays in the afternoon.

If I may point out to the committee, the committee only meets on Thursday mornings and Thursday afternoons. We will require approval from the House leaders

on a recommendation from our own committee to them. They will need to give us this extra day, the House leaders.

The Chair: And it would have to be ratified by the Legislature.

Clerk of the Committee: That is correct.

The Chair: So if I understand—are those the correct dates, Mr Mammoliti?

Mr Mammoliti: Yes. I just want to clarify, however, that Tuesdays would of course be within the times that I've moved, so that—

Interjection: From the 14th.

Mr Mammoliti: Yes, they'd be in between the 14th and November 4. So you're talking October 19, October 26 and November 2.

The Chair: Just give me those dates again.

Mr Mammoliti: October 19, October 26 and November 2.

The Chair: Mr Mammoliti has moved a motion. Mr Offer.

Mr Steven Offer (Mississauga North): After hearing this motion, I would like you to rule on whether the motion is in order, as in its essence being nothing less than a time allocation motion, which I understand can only be done at the behest of the Legislature, in accordance with the rules of procedure.

The Chair: My understanding is that it is in order, that this is a schedule that is being proposed to the committee that the committee itself could at any point amend. It is not, in my view, a time allocation motion.

Mr Tilson: If I could speak on that, I think it's fairly common knowledge we had some difficulty in the subcommittee meetings. We couldn't come to an agreement as to where we were going to go on these matters. My understanding is, between the three House leaders there was an agreement in July or August or whenever we left this place in the summertime that this bill would be back in the House and voted on for third reading by Christmas, or whenever we rise, which is—who knows?

I agree with Mr Offer's point. We still have the month of November. There are still other days in the month of November to deal with this bill. Mr Offer's right on point. It is a time allocation motion. There are other days. Now, if we were going right up to a few days before we rise for Christmas, that's a possibility, but it's nothing short of a time allocation. I mean, my goodness, we're allowing a day and a half for public hearings before we've even advertised.

Before we've even advertised for delegations, as of last week, there were 20—I could be corrected—it may be 18 names that had been submitted.

The Chair: Maybe the clerk can update us on the number.

Mr Tilson: I submitted 20 names, and who knows how many names Mr Offer submitted. There may be a certain amount of overlap—this is before we advertise—so my guess is we're close to 50 or 60 names, depending on the amount of overlap there is. To suggest that we're going to have what this government calls public hearings for a bill as substantial as this and as complicated as this, with already the expression of those people who want to speak, in a day and a half—that is a time allocation motion.

Mr Mammoliti has indicated he wishes to speak, and I think Mr Grandmaître wishes to speak. I would ask that you defer your ruling on Mr Offer's motion until we've had some debate, because I think it is a time allocation motion.

The Chair: We are speaking actually to Mr Mammoliti's motion.

Mr Tilson: No, Mr Chair. I am speaking to Mr Offer's point of order.

The Chair: I've ruled on the point of order, Mr Tilson. We're speaking to Mr Mammoliti's motion.

Mr Grandmaître: I'm referring to Mr Mammoliti's motion. Have these dates been approved by the three House leaders?

Mr Mammoliti: The dates?

Mr Grandmaître: In your motion.

Mr Mammoliti: Mr Grandmaître, if this was agreed by the House leaders, we wouldn't be here today with this motion. I'm not sure whether you sat in the subcommittee meetings or not—

Mr Grandmaître: Have you consulted?

Mr Mammoliti: —but in the subcommittee meetings it was quite clear—

Mr Grandmaître: Would you please answer my question?

Mr Mammoliti: —that there wasn't agreement and that we needed to come to an agreement in the subcommittee. I had offered some suggestions in the subcommittee, and they were refused by both the Liberals and the Conservatives. If this was agreed on, we wouldn't have to be here today debating this motion.

Secondly, originally the Liberals did agree to most of this motion, and at the last minute they pulled out. Your House leader did agree with it originally in terms of Tuesdays and at the last meeting you pulled out, so you might want to ask that question to your own House leader.

Mr Grandmaître: What I'm hearing is that we don't have an agreement among our House leaders. Personally, I can't commit myself today to those dates.

Mrs Irene Mathyssen (Middlesex): I would like to point out that in point of fact there is an agreement from the House leaders. As was mentioned by Mr Tilson, that agreement was made last summer, in July,

and it was specifically that this bill would be finished and through third reading by the time we rise in December. We are scheduled to rise by December 9. That means we have to move through this. Keep in mind that Bill 47 is also scheduled for this committee.

It's interesting that it's been pointed out that we have a number of people who wish to speak to this bill, and we're very glad in terms of this bill, because by and large those who wish to appear before this committee are very supportive of this bill. It's a good-news bill, and we would like nothing better than to allow the people of Ontario to hear just how positively the community feels about this.

But if you look back at the consultation in regard to this particular bill, you'll discover that it began in December 1990 with an advisory committee that proposed a wider consultation. A task force was formed, and on that task force was a wide range of Ontarians, the Canadian Manufacturers' Association, Pollution Probe, environmental committees, the legal community, the Business Council on National Issues etc, who went to their constituencies and asked for comments on this bill. A draft was prepared in July 1992 based on those comments. There was a public commentary period after that, and then the task force actually reviewed and supported the draft bill before it came to first reading. There's been a very wide consultation.

The point is that there has been agreement by the three House leaders that we will complete this bill. Unless we get on with it, that agreement, made freely by the Tories and the Liberals, will be violated. We have a great deal to do in this committee. The motion made by Mr Mammoliti is to facilitate a decision. Let's get on with it.

Mr Offer: Without commenting on the incorrectness of Ms Mathysen's last statement, I would like to ask the clerk, could you please tell me how many people, given a 30-minute time frame, would be allowed to be heard under the dictatorial motion made by the NDP member?

Clerk of the Committee: It would be 12.

Mr Offer: So 12 people in all of the province of—

Mr Mammoliti: On a point of information, Mr Chair.

The Chair: There are no points of information.

Mr Mammoliti: Then on a point of order, Mr Chair: Does that include the Tuesdays that I recommended?

The Chair: The way I understand the motion, the Tuesdays aren't included.

Mr Mammoliti: I recommended that Tuesdays be kept in mind.

The Chair: But that's not included in the motion, is it? Or is it not? Do we have the motion down wrong?

Mr Mammoliti: Yes, it is included in the motion

that the recommendation to the committee would also include Tuesdays, and I made it quite specific in terms of dates as well.

The Chair: Mr Mammoliti, that's one of the difficulties we have. We are working from a motion that, as I see it, just outlines the dates. The wording isn't there. The clerk has done his best to provide the wording. When the clerk read the motion back to you, he did not include the dates of your recommendation. I maybe incorrectly assumed that that would be a matter dealt with following the new motion.

Mr Mammoliti: He should include the recommendation for the three Tuesdays.

The Chair: In that case, if that's the motion that's before us, you should draft your motion so we know what it is.

Mr Mammoliti: The clerk read it back, Mr Chair. The clerk read it back, and I included the Tuesdays.

The Chair: Mr Offer, could you be helpful?

Mr Offer: Yes, if Mr Mammoliti wouldn't interpose himself. Mr Mammoliti has indicated that he wants these Tuesdays to be part of his motion. Is this committee scheduled to sit on Tuesdays by order of the Legislature?

Clerk of the Committee: No, sir.

Mr Offer: Mr Mammoliti wishes it to be part of his motion. I now move that the motion is out of order.

Mr Mammoliti: On a point of order, Mr Chair: At the end, the motion suggested to the committee that we keep Tuesdays in mind. It's not specific in terms of Tuesdays being the absolute, and Mr Offer knows that. It's a recommendation, and for that reason it's in order.

The Chair: Members would appreciate that the Chair is having some difficulty in understanding exactly what motions are before us. Therefore, I will take a 10-minute adjournment. We will deal with the motion once we have one in writing that the committee can consider.

The committee recessed from 1024 to 1042.

The Chair: The standing committee will reconvene. Mr Mammoliti, you have a motion.

Mr Mammoliti: I sure do, Mr Brown.

The Chair: Could I ask you to withdraw any previous motion and then put the motion you have?

Mr Tilson: Is it possible that the members of the committee could have a copy of the motion?

The Chair: The clerk will distribute those to you. Could you withdraw your previous motion and—

Mr Mammoliti: I will withdraw my previous motion. I still don't understand why the Chair would ask that, but to accommodate the Chair I will withdraw my motion and replace it with the following.

I move that the committee, during consideration of

Bill 26, the Environmental Bill of Rights, be authorized to meet on October 14 in the afternoon, at which time we'll hear from the minister and he'll be available to answer questions; October 21, morning and afternoon, for technical briefings from Ministry of Environment staff; October 28, morning and afternoon, for hearings; and November 4, morning and afternoon, for clause-by-clause.

The motion is exactly the same motion I moved earlier on this morning. The difference is that it's on paper and in writing now. I hope that satisfies the opposition. During subcommittee meetings—Mr Tilson touched on this earlier and he was absolutely right—there was some difficulty in coming to a decision on the schedule and when we should sit as a committee and hear Bill 26 and how we would do that.

During the subcommittee meetings, I had placed a recommendation on the table. It was flatly rejected by the Liberals and the Conservatives. To give them credit, I don't think it's actually their fault for rejecting it; I think there's been a lack of communication somewhere between all three parties and by the House leaders perhaps, and we need to recognize and learn from this. We need to ask the House leaders to perhaps be a little more thorough in their discussions. I think this is one area we're going to learn from.

There was an agreement originally by the House leaders, and after the subcommittee meetings I heard differently from the Liberals and the Conservatives. The agreement originally was that we meet on the following dates: October 14, October 21, October 28 and November 4. They also included Tuesdays. The House leaders at that time were committed to pass this in the Legislature, that we would meet on the Tuesdays I talked about earlier.

That apparently was not the case at the subcommittee meeting. Both the Liberals and the Conservatives had a problem with Tuesdays, so we couldn't talk about Tuesdays. We also had some concern in the meeting about how much time should be allocated to individual witnesses. I didn't particularly have a problem with the request Mr Offer made of a half-hour each, but we didn't come to an agreement on that. I think it's actually premature to talk about that in view of my motion, so we'll talk about that later on, and I'll let the committee know exactly what happened in subcommittee with that as well.

But in view of what happened in subcommittee, we have no alternative but to get this motion forward and to listen to deputants and witnesses who want to give their opinion on Bill 26. We need to do that and also keep in mind the fact that there have been other House leaders' agreements in which other bills would come to this committee and go forward and be passed in the Legislature by the end of the fall sitting. This is not the only bill we're listening to.

Having said that, we cannot spend all our time on this bill. It's a very important bill, and we all agree on that, but we also have other bills we need to hear. That would include Bill 47, photo-radar; from what I can gather, that might be coming to this committee. In view of that, we need to recognize that we have to spend some time on that bill and that we may have to deal with this a little quicker.

Bill 26 is a very important piece of legislation and, for the most part, a very good piece of legislation, a good-news item that people want passed in Ontario. They don't want, in my opinion, this committee to dwell on this for ever. They want it heard, debated and dealt with. In my opinion, from what I heard in subcommittee and from what I heard this morning, both the Liberals and the Conservatives would perhaps want to continue this even past the fall sitting. The government does not want to do that. The government wants to deal with other business as well.

For that reason, I've had to move, and hopefully pass, this motion today. The motion gives enough time for witnesses to come forward and give us their views on this bill; it also allows for proper clause-by-clause time, in my opinion; and it gives us enough time to deal with other bills that might come forward to this committee which perhaps we could deal with before the end of the fall session.

In view of everything I've said, I don't see anything wrong with this particular bill. The argument that's going to come from the opposition is that there isn't going to be enough time to hear from individuals. I told you in subcommittee that perhaps we might need to look at Tuesdays. You didn't want to deal with that in subcommittee. For that reason, I want you to keep that in mind when you're debating this particular motion: If you would be willing to amend this motion to include Tuesdays, I wouldn't have a problem with listening to that amendment.

1050

I want to make it clear to everybody that we're open to amendments, specifically in terms of the argument they're going to bring forward on lack of time. Keep Tuesdays in mind. I certainly would have my ears open and be willing to accommodate you on that. But we definitely need to deal with this bill as quickly as possible so we can deal with other things in this committee.

I think I've covered everything. If not, I'll throw my name back on the list, Mr Chair, and speak on it again. I'm sure the opposition might have something else to say on the motion.

Mr Offer: In speaking to this dictatorial NDP motion, I have a question I'd like to pose to the mover, if that be in order. The mover indicated that this is the same motion as he put verbally this morning.

Mr Wiseman: I thought you couldn't follow it. Must have been an obstructionist ploy.

The Chair: Order.

Mr Offer: I made some notes when that motion was being moved. It said that October 14 in the afternoon was a statement by the Minister of Environment. On October 21 in the morning would be a technical briefing and on October 21 in the afternoon would be hearings. It said on October 28 in the morning would be hearings and October 28 in the afternoon would be hearings. November 4 in the morning would be clause-by-clause and November 4 in the afternoon would be clause-by-clause. Those are the notes I took from the verbal presentation made by the mover this morning.

The NDP has now moved a motion which is different from that which was moved in the morning. I'm wondering if the mover of the dictatorial NDP motion could indicate, first, whether my statement of how I heard the motion first moved was correct, and if that be the case, why the mover has changed the motion to delete public hearings in the afternoon of the 21st.

The Chair: Mr Mammoliti, do you wish to respond?

Mr Mammoliti: Mr Chair, he's absolutely right. It's a typo error on my part. I'm not the greatest typist in the world, and he just pointed out something I missed. Perhaps we can just do a friendly amendment to that. He's absolutely right: There should be hearings in the afternoon on the 21st.

The Chair: So you're prepared to amend your—

Mr Mammoliti: A friendly amendment, yes; he's absolutely right.

Mr Offer: No, no. I asked a question, and I would like to—

Mr Tilson: Could I speak on a point of order before questions go back and forth? At the very outset, I asked for something in writing so I could be perfectly clear about what the motion is. I am now even more confused about the motion. We had the clerk read back to us what he thought the motion was, and I made notes of that. In fact, I made notes from what the clerk said, not what Mr Mammoliti said, and it's quite different from what this motion says.

Now Mr Mammoliti is saying he wants a further amendment. If we're going to do that, if we're going to keep changing it, I would like it in writing so it's perfectly clear to the members of this committee what the motion means. I don't know what the motion means.

The Chair: Mr Mammoliti or any member of the committee has the opportunity to offer amendments to any motion that is put forward. If Mr Mammoliti or any other member of the committee wishes to offer amendments to this motion, those are perfectly in order and the Chair is obviously obligated to—

Mr Mammoliti: Mr Chair, if I may speak on that,

if Mr Tilson is asking me to go back to the computer and reintroduce the motion, then I guess we'll have to call another five minutes so I can do that. But I want you to keep note of the time you're wasting on this as opposition.

Mr Offer: On a point of order, Mr Chair: I have heard what are in my opinion either misstatements or outrageous comments. When NDP member Mammoliti has indicated that we, Liberal and Conservative, are the cause for his either reading a motion incorrectly or typing a motion incorrectly, and also having to listen to NDP member Wiseman, who didn't understand either of the motions, then I think those types of comments are both outrageous and deserving of an apology.

Mr Wiseman: On a point of order, Mr Chair: I've been sitting here very patiently and the environmental community has been waiting very patiently for this bill. The arguments around the discussion of the motion are such that it continues to be dragged out and dragged out when, very simply, the rules of this body are very simple, that a—

The Chair: I'm not clear what your point of order is.

Mr Wiseman: And for him to say that I didn't understand it clearly indicates that he doesn't know what he's talking about. He was the one who said he didn't understand it.

The Chair: I don't hear a point of order.

Mr Wiseman: I think he should withdraw his comment.

Mr Offer: I certainly will withdraw the comment that you are outrageous. However—

Mr Mammoliti: Mr Chair, give me five minutes to go retype this, okay? Look who's outrageous here.

Mr Wiseman: It doesn't need to be retyped.

Mr Mammoliti: Give me five minutes to go retype this. That's fine.

The Chair: Are you withdrawing this motion, Mr Mammoliti?

Mr Mammoliti: I'd like to make a friendly amendment. That's all it takes, a friendly amendment, and actually two words to be addressed.

The Chair: It is your choice. We can continue the debate; Mr Offer had the floor. Or if you wish to withdraw that motion, then of course we are happy to adjourn to provide you with the opportunity to redraft it, or you can make an amendment—

Mr Mammoliti: Mr Chair, I withdraw the motion and I present you with one in return.

Mr Offer: The hat trick of motions.

The Chair: We have that motion withdrawn. Now, Mr Mammoliti, you have a motion.

Mr Grandmaitre: Another motion.

The Chair: I should give you this copy, if you wish to read it.

Mr Mammoliti: No, no, that's not necessary.

Mr Grandmaître: Can we get a copy?

The Chair: As soon as Mr Mammoliti reads it, the clerk will copy it for all members.

Mr Mammoliti: I move that the committee, during consideration of Bill 26, the Environmental Bill of Rights, be authorized to meet on October 14 in the afternoon to listen to the minister speak and to answer questions; on October 21 in the morning for technical briefings from Ministry of Environment staff, and in the afternoon we'll commence hearings; October 28 in the morning and afternoon we'll continue hearings; and on November 4, morning and afternoon, we will finish out with clause-by-clause.

The Chair: Thank you, Mr Mammoliti. The clerk will provide the appropriate written material shortly. Mr Mammoliti, you might want to speak to your motion.

Mr Mammoliti: There's no need to speak on the motion. I'm looking forward to hearing what other mistakes the opposition might want to find with this and how else they can perhaps waste time this morning and neglect everybody's environmental rights out there.

The Chair: Mr Offer.

Mr Offer: Again, on this motion, I know Mr Mammoliti is a wordsmith of incredible calibre.

Mr Wiseman: You're a pompous ass.

Mr Offer: In the last motion he said, "and we'll finish out with clause-by-clause." Could I please get an explanation as to what that means?

Mr Mammoliti: What usually happens after clause-by-clause, Mr Offer? You've been in this place a lot longer than I have.

Mr Offer: I didn't make the motion.

Mr Mammoliti: On November 4, morning and afternoon, we're going to deal with clause-by-clause. What does that mean to you, Mr Offer?

Mr Offer: I understand clause-by-clause. I didn't understand the phrase "and we'll finish out." That is different from the first two motions. Before we can even talk about a motion, we have to know what it is that's being moved and what you in fact mean.

Mr Wiseman: I think you're being unnecessarily obtuse.

Mr Mammoliti: I moved very clearly that on the 4th we deal with clause-by-clause. I don't understand which tactic you're trying to use here, but I would certainly recommend that we deal with the motion. Mr Chair, I call the question on the motion.

Mr Tilson: What? You're going to call—

The Chair: There has been very little discussion. The Chair will rule that it is out of order.

Mr Mammoliti: It's out of order?

The Chair: Yes.

Mr Offer: I think it's proper for any member of the Legislature, and I do not care what political party he happens to represent, when another member moves a motion, that before we even start to talk about the motion we understand what it is the person has moved. There are a number of aspects of the motion that have been moved by Mr Mammoliti. He has not yet been able to respond to the question about what "finish out" means, but I guess that might happen.

Mr Chair, we've just been provided with the third motion that Mr Mammoliti has moved. I think Hansard will show it is the third motion. He has moved one motion, withdrawn; moved a second, withdrawn; moved a third, withdrawn. I agree with the withdrawn portions of your activities, if not the introduction of the motions.

I am also aware, Mr Chair, of the information given to me, by you to all members, which on the second page has a number of questions the committee has to answer that talk about hearings beginning, notifying the public, caucus lists, direct mail, time for presentations, the type of research as provided by the clerk; also, on the following page, the format for advertising. The following three pages contain a list of 30 people representing, I'm sure, a number of others who wish to be heard on the bill, even before the bill has been advertised, and also some information on the task force that was the real author of the bill.

In light of the motion and in light of the information I've got, I will require some time to try to put these two together, and I would ask that the committee be adjourned. I move that the committee be adjourned.

The Chair: You move that the committee be adjourned?

Mr Offer: I do.

The Chair: Mr Offer has moved that the committee be adjourned. Is it the pleasure of the committee that Mr Offer's motion carry?

Mr Mammoliti: Can I have five minutes, please, Mr Chair?

The Chair: Mr Mammoliti has requested 20 minutes on Mr Offer's motion for adjournment.

Mr Mammoliti: Sir, I requested five. Does it have to be 20?

The Chair: The committee will reconvene at 1124. *The committee recessed from 1104 to 1129.*

The Chair: The committee will come to order. Mr Offer has moved adjournment. All those in favour? Opposed? The motion is lost. Continuing to discuss Mr Mammoliti's motion that members have in front of them, Mr Tilson.

Mr Tilson: I have difficulty with the motion. I understand the dilemma of Mr Mammoliti as the whip

of the government caucus. Informally, as I understand it, the House leaders did agree that this matter would be completed by Christmas. I don't think there's anything formal as far as this committee is concerned or anything this committee is bound with, but I have been informed by Mr Eves, our House leader, that there was an agreement.

I think it was an agreement that was made in haste, because whether you're for or against this bill, and I think it's a bill that a large number of people will be supportive of, there may be, even if you're in support of the bill—I mean, the government members have commented that the opposition is being obstructionist with respect to this bill. Quite frankly, I'd like to hear from people who are opposed to it and people who are in favour of it.

We have had many bills come before this place in which amendments were suggested by proponents of a piece of legislation which offered suggestions of improvement. That comes from members of the public, people who are far more informed, with due respect, than members of this committee on environmental matters, people who spend their entire lives on these matters. I think we should be encouraging people to come and speak.

At the very outset—I did agree when Mr Offer said it—it's a closure type of motion. Although you have ruled on that, Mr Chair, and I reluctantly accept that, I do believe it's a closure motion. The amount of time that's being spent for public hearings on a bill as important as this—and remember, this is a bill that was promised by this government in its Agenda for People. They boasted about this in their election campaigns, that it was going to be a major platform. It's taken them three years, but it's here.

To spend a day and a half for people to come is simply unacceptable as far as I'm concerned. I would like to hear those who are in favour of this bill, who may have some very constructive criticisms of proposed amendments, perhaps definitions of words. There could be all kinds of things those people could suggest.

Yes, there was a task force, and I have given Mrs Grier, the former Minister of the Environment, credit for getting together two groups that normally are adversarial with each other, normally, it is suggested, opposed in things they say. These two groups have got together and they did come up with a draft bill which was attached to their task force. Essentially the same bill that was written by that task force is before the committee now.

One of the things that the subcommittee discussed—and I would like members of the committee, as we're debating this motion, to consider—was that, outside of the members of the public who are coming, representatives of the task force come to this committee and give us their rationale as to how they arrived at their decision, because it is a rather remarkable achievement by

Mrs Grier to have these two groups come together in a manner to come up with a bill that these two normally argumentative, diverse groups agreed upon.

Mr Offer expressed his agreement with that and I hope other members of the committee would agree with that. There is nothing in the motion that deals with that. We have had consultants come for specific bills. I'm thinking of the casino bill that's before the House now. A consultant came and spent half a day reviewing their position with respect to gambling casinos, albeit that the consultant came after the bill had received second reading. They were retained after the bill had received second reading and after people had been hired to proceed with the casino in Windsor. But the fact of the matter is we spent half a day with this consultant.

I'm just talking about recent bills and Mr Grandmaitre could comment on his experience on bills, either as a past minister or his general experience in the House. I'm also thinking of the auto insurance legislation, where we had a government consultant come and help clarify to that specific committee the rationale of the government in proceeding in the manner that it was with respect to auto insurance.

I certainly think that whether we have a chair of the task force or whether we have a co-chair—there were two groups. Perhaps one from each group could come and inform the committee as to their rationale as to how they arrived at the bill that they did, specifically when that bill is so diverse from the original Bill 12, I believe the number was, that Mrs Grier put forward. It's a major change in the NDP's philosophy. It's a major change, to the relief, I will say, of many of the people in the business community.

I don't mean to be giving her a compliment—it's not my role to give her a compliment; I'll let members of the government compliment her—but I will say that there were a lot of people who were afraid of Bill 12 and it would be worthy for this committee to understand the rationale of how the committee moved from that type of NDP philosophy to the current bill that's before this committee.

That's one item that is being completely left out of this motion, and I think I could go through many other bills in which experts, consultants, people who have had a major role in this group, in fact wrote the bill. I'm sure Mr Wildman, the minister, may disagree with me on that, but there's no question the draft bill that was attached to the task force—Mr Wildman did not write that. That, essentially, was attached to the report, I believe, of the task force.

I'd like to hear members of the task force and be able to have an opportunity to ask some questions on several items of the bill that give me a great deal of concern:

—The whole role of the Environmental Commissioner.

—The issues that have been raised by the municipalities that many of us have spoken on as to what in the world “instrument” means.

—Is it the intent of the members of the task force that building permits, for example, in municipalities—is that an instrument that’s referred to, building permits?

—Applications for zoning applications, minor variances.

There’s no question that the municipalities, I believe, will be spending a considerable amount of concern on that issue. AMO has already expressed a concern, or representatives from AMO have expressed the concern on the topic of what “instrument” means, and I’m sure the members of the task force reviewed that subject. I hope the mover would amend his motion to allow the task force to come to this committee to review that matter.

There is nothing in the motion that also talks about the report. I can understand that you move clause-by-clause and you vote on it and that’s the report, I suppose, but there’s no real opportunity for this committee to sit down and review what has been said; to review what has been said in the clause-by-clause discussions or review what has been said by the people who have come to this committee, as is done in many other bills, unless it’s a time allocation motion. If it’s a time allocation motion, that bill is rammed through the committee, it’s rammed through the House, and therefore you don’t have an opportunity to present a report.

That’s what happens and that’s what this motion is doing. It’s ramming this whole topic through this committee so that I as a committee member feel quite offended that I don’t have adequate time to properly digest the rationale leading up to this bill. Quite frankly, I have already thought of several amendments without even hearing the representatives from the municipalities, the environmental groups or the business community. There are all kinds of different people who may want to come to this group, as is indicated in the sheet the clerk has attached.

The other is the issue of costs. I believe we will have to spend a considerable amount of time on what this is going to cost. There have been criticisms, of course. I think the minister has made a comment that this bill will cost \$4 million; I believe that’s an estimate that was given by the minister. I would like an opportunity to question the task force on its rationale as to what its projections of the cost are going to be. They were an independent group of the government and I would like an opportunity to ask them that.

Normally, just dealing with the first item, where the minister comes to speak and answer questions, I would hope that for a bill as complicated as this the minister would be able to return to this committee and speak to us more than just on an afternoon. There have been

occasions on bills that I have appeared on where the minister speaks, the two critics speak and then there’s an opportunity for questions to the minister from members of the committee. I read the motion and it would appear from the motion that the two critics are not being allowed to speak to this committee and give their opinions as to Liberal Party and the Progressive Conservative Party concerns or support of this bill.

The mover has left that out of the motion. This is going to be a one-sided bill. The government is going to proceed. The minister is going to come here and answer questions and leave. There is no time being allowed by the whip on the government side of this committee to enable the two critics to speak. Normally, that’s done. Any bill that I’ve participated on, and I don’t have the experience of—well, I guess I do. With the exception of Mr Grandmaître, there aren’t too many people who have had more experience than I, I suppose, on any of the bills I appeared on, Mr Chairman. Perhaps you and Mr Grandmaître are the only two who have gone through this ritual, but it would seem to me that any of the bills I’ve appeared on—it’s wonderful to be referred to as a senior member, isn’t it?

The Chair: It doesn’t take much any more.

Mr Tilson: Indeed.

However, on any of the bills I have appeared on, normally the critics are given an opportunity of 15 minutes to half an hour to put forward their party’s position or the concerns of that party. For some unearthly reason, the government is moving away from that and not allowing the opposition to speak. That’s what’s happening: The opposition is not being allowed to speak on this bill.

With respect to the hearings, Mr Offer asked a question of the clerk, as to how many people could speak, how many deponents could speak for a day and a half, which is what this is. I think his answer was 12 or 14, depending on how long we sit, I suppose, and when we start. We could start—well, no, I guess we have to start at 10 o’clock and go to noon, and, similarly, whatever to 6.

On most committees I have appeared on, as time goes on you gain a little experience. There are obviously organizations—I think of one, AMO, which represents a large number of municipalities: small municipalities, large municipalities. They’re going to have a lot to say and there may be individuals who have a lot to say, but perhaps not on the broad number of topics AMO may wish to raise.

In the past, and this gets into the general agenda you have put forward, Mr Chairman, committees normally indicate that large organizations, whether they be large unions or large business organizations or groups, someone who’s representing a group such as AMO, are able to speak for a longer period of time, and groups are

consolidated. I suspect that if this motion carries, and I fear that it will, this committee will have to sit down and simply say: "You people can't speak, because we're going to give you only a day and a half. That's all we're going to give you to speak. So you're going to have to have someone else over here speak on your behalf." They won't like that.

1140

There's that issue and there's the issue where normally, in committees where we've appeared, perhaps an hour or half an hour is allowed for a larger group and a smaller group might be allowed anywhere from 10 minutes to 20 minutes, depending on what we do. If we started talking in those terms, my guess is that the number of 12 to 14 would fall substantially, because we know there are going to be some large groups, if we take that philosophy, and I would hope we would. There are large groups that represent a number of people who will wish to address this committee. That's another concern I have with this motion.

Mr Mammoliti is right. He predicted that members of the opposition would be complaining that people wouldn't have an opportunity to speak, and he's quite right. I say 12 or 14 is an absolute insult, and that's if each group is given 20 minutes. If the larger groups get a longer period, it could be under 10. I don't know; I'll let the clerk philosophize on that one.

Certainly, there's a list here that somehow has appeared before us. I don't know what that list is, and hopefully the clerk will clarify that, but there was a list at the subcommittee meeting that had 18 names. My caucus submitted, I believe, 20 names or in that range. Mr Offer hasn't, but I'm sure he will, submitted a list of names. If he hasn't, I'm sure he will submit a list of names. It looks like each caucus is submitting 20 names each, roughly. So we're up to 60 names. There may be an overlap, which means we may be down to 50 people.

That's without putting advertising in. That's without advertising to the public that we're going to have "public hearings." This motion gives the phrase "public hearings" a whole new meaning. I have no idea what "public hearings" means when I see a motion like this, for a bill that's as complicated as this.

You could spend a week on the issue of the Environmental Commissioner and the ramifications of what that person is going to do. You could spend a week on that topic. What's it going to cost? I would like legislative counsel to talk on a number of areas and the legal ramifications.

It's a very complicated bill, yet clause-by-clause is going to be a morning and an afternoon on November 4. That's what the motion says. I guess, to be fair, there will be another half day for the deputy, presumably, and the deputy's staff to appear.

I have a great deal of these topics. Mr Mammoliti has

invited the opposition parties to put forward amendments to possibly sit on Tuesdays. I think we have a jurisdictional issue with that, and the clerk may speak on that.

I will do almost anything to allow this bill to be proceeded with and to enable us to spend some time on it, but I will simply say that I'm opposed to ramming it through in this fashion and I will be voting against it, as I suspect all members of the opposition will be voting against it.

As I've indicated in this committee, at the subcommittee, to Mr Mammoliti privately, to members of the government privately and to members of the opposition privately, I would hope that the House leaders, if they worked a deal out—and, understanding the complexity of this place, I don't even know what that means—some arrangement was worked out that this bill would pass by Christmas. I think the House leaders of all three parties, if that was the deal, were in error. We need more time. This committee needs more time. If we're going to have consultation—I suppose all three governments like to boast that they do that, but this government in particular likes to boast that it does that.

This committee has a responsibility to consult with members of the public as to what they think with respect to a specific bill. We're not doing that. Clearly, a day and a half is inadequate. In fact it's an insult to the word "consultation" and the consultation process.

I am certainly prepared, if the government whip would be prepared to set this motion down, to go back to my House leader, Mr Eves, and I would hope that the Liberals and the New Democratic members would go back to their House leaders and ask them to reconsider this commitment. There are members of this committee who don't really think there's a commitment, because the clerk doesn't know anything about this. The clerk hears words floating around this room about a deal. Well, the clerk doesn't know about any deal, I can tell you that. There may be a deal, but no one else knows about it.

If there's a deal that the House leaders go back and say, "We made it in the heat of the summer. We were anxious to get out of here and this is one of the terms," whatever it was, I don't—

Interjection.

Mr Tilson: There's laughter over there, but the fact of the matter is that—

Mr Wayne Lessard (Windsor-Walkerville): That doesn't count now. That was then.

Mr Tilson: Excuse me?

The Chair: Mr Tilson has the floor.

Mr Tilson: That's what happened, and to responsibly deal with a bill as complicated as this, I would hope the three House leaders would not put, if they have put—and I'm getting more and more doubtful as to

whether they did, but if they did—that this committee not be hampered by that. Because if they did, I suppose Mr Mammoliti, as the government whip, is trying to make this go through, to give him credit. He's trying to do what he can, but he's not given much to work with.

I think in his heart of hearts, if he were over here and Mr Grandmaître or I read that motion, they'd be throwing pencils at us. We're very kind on this side; we don't get violent like that. The NDP members would just be furious. They'd be jumping on the tables and doing all kinds of things if they were in opposition and that motion was read to them. They would not understand it, and they'd be right, because I don't understand it.

I've gone on somewhat and I would like to hear from other members, although we haven't gone through the agenda. The motion seems to overrule the agenda. If you turn to page 2 of the agenda, we start running down item number (1), public hearing date. The motion seems to deal with that: We're going to have a day and a half for public hearings. Location: Well, we haven't dealt with that. Clause-by-clause: We're going to allow a day for clause-by-clause. Isn't that amazing? A whole day for clause-by-clause. That's a total of four hours for a bill that has how many sections in it, many of which are quite complicated. We're going to allow a whole four hours to deal with that. I suppose if we get to the end of the day and we haven't finished, too bad. "That's too bad, we're not going to talk about it any more." That's the end of it.

That sounds awfully similar to time allocation. I know I keep getting back to that and you've ruled on that, but that's what time allocation is, when you say you're restricted to an amount of time. That's exactly what time allocation is. However, you've made that motion, unless you would reconsider it.

Presentation of Minister of Environment and Energy: Well, (a) is dealt with, his date and time. That's been spelled out in the motion.

Critics' response and time: Well, that's been ignored, that's been struck off. The opposition isn't given an opportunity to speak here. They're just not being given an opportunity to speak. It is just unbelievable that this government will not allow the opposition to speak.

Ministry briefing and time: That's been allowed. I have so many pieces of paper and motions in front of me; I think that's half a day that it's dealt with.

Notifying the public of the hearings: I must confess I don't know the rules and the procedure for notice and all that. We haven't really asked the clerk to speak about advertising and all that.

Interjection: Time limit.

1150

Mr Tilson: The time limit. I believe there are time limits and I think before we vote on this motion we should allow the clerk to give us his thoughts on

advertisements and deadlines for calls and newspapers and all of that. I can't believe there are limitation periods with respect to that.

Caucus lists: Actually, Mr Offer is quite right. He hasn't been asked to give a caucus list. I have. I jumped the gun, but I really didn't need to because no one's asked me for it. We haven't discussed all of that. So Mr Offer perhaps is quite right.

We haven't discussed the issue of direct mail. Are we going to write to people who have expressed environmental concerns in the past for either side? It doesn't appear that way, because we won't have time. This sucker's going to start on October 14. When's October 14? This afternoon. Isn't that wonderful. Talk about ramming things through.

Even if the minister comes and even if I were allowed to speak, and I'm not being allowed to speak with respect to providing my caucus's comments, how am I—Mr Offer is unavailable at the moment, but I know he would express the concern about the time to prepare for putting forward the Liberal caucus view and I the Conservative caucus's views with respect to the minister's comments. We're not like the NDP; we don't wing it. We actually prepare for what we do in this place. But it appears this whole motion was done, to use Mr Offer's words, on the back of a matchbox. Actually, I think it was Mr Chrétien's words, but however.

The Chair: I don't see him here.

Mr Tilson: No, he's not here, which is another issue. But that's how this appears to have been done.

We then get to the time for presentations. We need to talk about that, and I've indicated whether the large groups should be given an hour or a half-hour. Small groups or individuals: Should there be different times or should everybody have the same time? I'd like to spend some time on that. If we're going to start this afternoon, we're not going to be able to talk about that. I think in any other committee I've been on we've talked about that.

The issue of expert witnesses: This committee's not going to allow for that. We're not going to have any expert witnesses. These people don't need any experts in this place; they know everything. They don't need experts. They don't need to hear from anybody. Province-wide groups: we're not talking about any of these things.

Research: it doesn't look like this motion is saying—research might as well go home. You might as well go back up to your office. This government doesn't need you. We don't need you here. They're not going to ask for any papers; they're not going to ask for any preparation. They don't need you. They don't need any time spent on this thing, which is going to be rammed through. We don't need to do any preparation, because there's not going to be any time to review it, that's for

certain, with the way this time allocation motion has been prepared.

Turning to page 3, there's the wording of the advertisement. We need to spend some time on that. We're going to jump into this thing, the minister's going to have his lunch and come down here and have a little chat this afternoon. I don't know whether he's winging it, but he's going to come down this afternoon. We haven't even sent advertisements out.

Maybe members of the public would like to come and hear the minister speak. Is that possible, that members of the public would like to come in here and hear the minister speak as to when these hearings are going to commence? It doesn't look like the government wants anybody to hear the minister speak. That's how it appears to me. No one, any of the groups, whether your friends or your opponents, wants to hear the minister speak.

Number one, I can't believe the minister's prepared to speak on such short notice. This committee is going to ask Mr Mammoliti or the parliamentary assistant to call up the minister and say, "Okay, come on down here around 3 o'clock and talk to us about this bill, give your presentation." So aside from that—the adequacy of the minister preparing.

I believe that once these matters have been resolved—and that's why the subcommittee, quite frankly, broke down. It seems to me we're going to be going through lists twice. If we're going to advertise, and this government may not even want us to advertise, we have a list of names now that have been submitted by the government and submitted by the Conservatives. I know the Liberals will have a list. They're going to have a list.

When are we going to review that list? Then we're going to have a list that comes from the advertisements. When are we going to review that list? Who knows? I don't know when we're going to do that. There's no time allowed in this motion for that. There's no time to review that list, so we're not going to be able to decide who's going to come here.

I suppose we'll do it like I've noticed on some of these motions, some of these committee hearings. I'm thinking particularly of the employment equity. The government phoned people: "Can you get here in an hour?" That's how this government works. It's unbelievable.

Then we get to one of the issues that we discussed in the subcommittee which was agreed to, I think, with all three parties. The material that was put out—and I'm on to page 3 or 4, I think. You may recall that when the minister announced this bill, the ministry put out a wonderful brochure. I think the names of the ministries that are going to be making these statements are in the bill. They may not be; they may be in the regulations.

I don't know. But in any event, the subcommittee was concerned about that.

We thought it would seem logical that—you can read it. We wanted a draft statement of environmental value stating how it will take the environment into account in its decision-making. Those are the ministries that are put forward. We wanted to know some sort of process about that. What does all that mean? Are there guidelines for that? We should be spending some time on that. We're going to be asking all of these ministries to work very hard and to prepare statements. We're going to be working very hard.

There don't seem to be any guidelines and I think we'll need to spend some time on that. There doesn't seem to be any real time for that. Yes, I suppose we could spend some time on the clause-by-clause. I suppose the staff will be here to do that maybe when we get to the clause-by-clause, but I don't think this is in the bill. I think this is in the regulations and there doesn't seem to be any time allotted in the motion to enable that.

So the final page of the agenda, we're not dealing with any of these matters.

Interruption.

Mr Tilson: Just trying to throw me off. I think at that point, when there's a crash, I'm going to put an end to my discussions. I'd like to hear a response, particularly from Mr Mammoliti, on some of the issues I've raised, whether he thinks they're valid, and if he does, how he intends to amend his motion.

The Chair: Thank you, Mr Tilson. Mr Mammoliti.

Mrs Mathysen: I'm on the list.

The Chair: Just to help you, Ms Mathysen, I have Mr Mammoliti, yourself and Mr Johnson on the list, in that order. Mr Mammoliti, there is not a lot of time.

Mr Mammoliti: There isn't a lot of time, and for that reason I'm going to just say that I think everything you've said I touched on in my opening remarks. For you to expect a comment from me would be even more lengthy at this time. I don't want to be repetitive. I think all the questions you've asked were addressed in my opening remarks. For that reason, I'm going to call the question.

Mr Tilson: The Liberals haven't had a chance to speak.

Mr Mammoliti: Yes, they did. They had a chance.

The Chair: I will consider that request. The committee will reconvene after routine proceedings this afternoon. For the information of members, it's in committee room 2 after routine proceedings.

The committee recessed from 1200 to 1534.

The Chair: The committee will come to order. As members will recall, when we adjourned this morning, Mr Mammoliti had moved that the question now be put.

The Chair rules that out of order. Only Mr Tilson has really had an opportunity to speak to this. Ms Mathysen and Mr Johnson had indicated a wish to speak to this, and the official opposition has not had an opportunity to speak, has only spoken briefly in an effort to support his motion for adjournment. Therefore, Mr Mammoliti, you have the floor.

Mr Mammoliti: I certainly can't understand your ruling. I think that members of all three parties have had a chance to speak on the motion. While I don't want to necessarily question you on the decision, I guess we'll have to take it. I'm not very happy with it. I don't think it was a fair ruling and I think that it does the—

The Chair: I would point out that the ruling isn't debatable; if you wish to speak to the motion.

Mr Mammoliti: Because the minister is here and was looking forward to giving his explanation of the bill, I think it might be in our best interests to move on and to hear from other people then, after your ruling. It's unfortunate. The minister is a very busy person. So we'll give some time to somebody else then.

The Chair: I appreciate your comments, Mr Mammoliti. Mr Johnson.

Mr David Johnson: Mr Chairman, I apologize, first of all, because I was in and out of private members' bills, so I may be going over some territory we've already covered. I wonder if I could ask a question or two. I don't know if this would be directed to the clerk or perhaps to the government.

Is there any urgency or necessity to approve the full schedule at this point? In other words, for example, since the hearings seem to be the most contentious issue, and I think the amount of time that has been left for public hearings is—it's impossible for me to understand how, in such a brief period of time, there could be any decent sort of public input. But if we approve the schedule up to October 28 and then at some future time, depending on the reaction from the ads, determine a subsequent schedule beyond that, in my view there would have to be more time for hearings, frankly, and perhaps the time for the clause-by-clause as well. Could that work? Perhaps I could ask that—

The Chair: I would suggest to you that the mover of the motion would be the one who is most capable of answering that question.

Mr Mammoliti: You're very kind, Mr Chairman.

Mr David Johnson: Is it in order then for me to pose that question to Mr Mammoliti? Is that in order? Is he prepared to respond? In other words, I'm proposing we just approve a schedule up to and including October 28. Then, as we understand who it is who wishes to speak to this issue, surely the government, if there are a whole lot of deputants—I see some of them listed. For example, the Toronto Environmental Alliance or the Conservation Council of Ontario or Citizens

Environmental Alliance of South Western Ontario and people like that. If they wish to make a deputation and that becomes apparent after the first couple of meetings, then we could consider scheduling that time at a future meeting. By that time we'd know exactly what we're dealing with. Do you get the gist of what I'm saying?

Mr Mammoliti: I'm not sure how appropriate that would be—I'm assuming that if we had said yes to you and the committee had said yes—seeing that we're going to be doing clause-by-clause on the 4th, if I'm not mistaken, and it's whether or not anybody would want to come in front of the committee after clause-by-clause.

1540

Mr David Johnson: Let me make clear that the November 4, the clause-by-clause, would be part of that future decision-making process. In other words, the clause-by-clause may not then be on November 4. If there are a quite a number of groups, organizations and individuals who wish to make a deputation, we may come to the conclusion at some time in the future that we need more time.

Mr Mammoliti: Our solution to that, and it was a suggestion made in subcommittee, was that we choose another day of the week to have general government sit. The House leaders agreed originally, and the House leaders for the Liberals and Conservatives at the last minute, from what I understand, backed out.

Mr Tilson: We didn't back out at the last minute at all.

Mr Mammoliti: I would put it to you at this point and say that if you're willing to amend my motion so that it would include the consideration of Tuesdays being brought to the House, I would agree to that.

Mr David Johnson: So I gather then that November 4 is a hard date, that you're not prepared in any way, shape or form to move from November 4 being the clause-by-clause.

Mr Mammoliti: To a lot of people in this province Bill 47, photo-radar, is very important, and that is also coming to this committee. We need to deal with that. House leaders' approval indicates that we need to deal with that before the end of the sitting. For that reason, November 4 is a hard date. Yes.

Mr David Johnson: All right. I'm getting the picture here. I guess we have a problem. If the Tuesdays don't work, and there appear to be some resistance to that, possibly for quite good reasons, in the period of time that's accommodated, the clerk has said we can accommodate about 12 to 14 deputants. If we have three dozen deputants, which is more than likely, are you prepared then to see 12 or 14 of those deputations go ahead and the other 20-odd simply not be heard?

Mr Mammoliti: What we need to do is look at what is reasonable. I don't know what is reasonable to you, or what is reasonable to the Liberals for that matter. I

know that what's reasonable to us is that we hear as many people as we can.

We had made a number of suggestions. One of them was to include Tuesdays. We could probably squeeze in many people on the Tuesdays, if that were the case. To me, that would be a reasonable amount of time to listen to deputants.

It's not uncommon for a committee to call it, midway through a list of applicants to come in front of the committee. There is a time when we have to say we can't hear anybody else, and I don't think it's unreasonable for the committee to do that.

If you would move an amendment that would read "Tuesdays," we would hear as many people as possible for the Tuesdays and we'd have to call it quits after that. We couldn't hear anybody else.

Mr David Johnson: What might work here is if you'd loosen up a little bit on the November 4. We put the ads out; obviously, I would think we'd want to put ads out to let the people of this province know that such an important bill is being contemplated. In addition to those who have expressed interest already, there would be other people who would express interest.

We'd carry on possibly even this afternoon with the minister. We would schedule those deputants we already know are interested for October 21 in the afternoon; some of them would be scheduled. We would, about that time, get a flavour of how many people are writing in wishing to make deputations, and about a week from now or two weeks from now we would be able to do a full schedule and have all of the deputants scheduled, for 20 minutes, half an hour, whatever. That would undoubtedly take us into at least November 4 for public deputations, possibly November 11, and the clause-by-clause would probably take place on November 18 or thereabouts. I would think that would be lots of time to report the bill back to the House.

Mr Mammoliti: I could appreciate your arguments, but let's also remember what other decisions have been made in the past when it comes to individuals who have been left off the list to come in front of committee. They've always got the option to write in and give written submissions to the committee. We'll never reject those, and we never have, I don't think, in the history of Parliament in Ontario rejected any written submissions. Let's remember that.

I understand your concerns, but we need to be active as a committee on other bills as well, and for us to say, "Let's carry this past the 4th," in my opinion might not be reasonable in view of other bills we need to deal with before the end of the session. In view of that, I would again put to you that another option might be Tuesdays.

Mr David Johnson: I can only say that from my experience in the past at the municipal level, the key

thing on these kinds of debates, on all political debates, is to listen to the people, the people who have elected us. To say we haven't got time to listen to the people or that we can't take an extra week or two to listen to the people—well, it's impossible for me to understand that sort of strategy or that sort of thinking. I think that's what got a couple of the federal leaders in trouble. They said, "We haven't really got time to talk to various issues now and we'll wait till after." I think Mr Chrétien said that just recently.

Mr Grandmaître: No, Kim Campbell. She was too busy to talk about social services.

The Chair: Let's not get into that.

Mr David Johnson: All right, let's not. At any rate, that's the number one reason we're here. To ask me to vote for a system that would in any way limit people from the opportunity, whether the environmental law and policy committee or somebody down here—two or three are just individuals: Julie Pearce, Richard Taves. That's what we're here to do, to listen to these people, and surely somehow we've got to accommodate their time. Maybe it's water under the bridge, but I don't quite understand, if time was so crucial, why we're just starting now. Why didn't we do the planning for this, say, three weeks ago or so? We've lost two Thursdays already.

Mr Mammoliti: I wasn't the one who called the subcommittee meeting. I'm not the one who walked out of the subcommittee meeting. If I recall, Mr Offer and Mr Tilson said, "We haven't come to an agreement; it's obvious we disagree and we need to call the meeting." I was willing to talk about Tuesdays, and I continue to talk about it being valid and reasonable to ask the House to consider, in view of the time, sitting Tuesday afternoons and hearing these people in front of the committee. That wasn't an option in your representative's eyes or in the Liberal representative's eyes at that meeting. It was an option in this individual's eyes, and it still is.

The arguments in terms of listening to these people: Quite frankly, I can't understand it when you say that on one hand we should be allowing time for them and on the other hand continuing this process this afternoon and not listening to the minister. We're just wasting more and more time.

Mr David Johnson: Personally, I'm prepared to listen to the minister this afternoon. I'd be anxious to hear what he has to say, and I think our critic and the Liberal critic should have an opportunity to speak this afternoon as well. But you're putting us in the position that unless we agree with the November 4th completion of this thing and squeeze everything in, and only hear about 12 or 14 deputations, according to the clerk—unless we approve of that, we can't move ahead, so I can't agree.

Mr Mammoliti: I'd be quite willing to give everybody 15 or 20 minutes to come in front of the committee and we can hear from more people. You're basing it on half-hour time slots. I'd be willing to cut that down 10 minutes and hear from more people.

Mr David Johnson: I can't agree with 10 minutes. People generally come from some distance. Perhaps individual citizens—

Mr Wiseman: On a point of order, Mr Chair: Can I inquire of you whether this is going to be a dialogue and a debate? Is there going to be the opportunity for other people to put their opinions forward?

The Chair: I have a number of members on the list who wish to express their opinions. It's certainly not unusual in committee for one member to ask the government whip and the proposer of the motion what his intentions are. I think it's totally in order.

Mr David Johnson: And through those questions I'm just trying to seek a resolution to this problem. Through my questions, the resolution I'm heading for is that we recognize that people have the right to make a deputation—we don't know how many people there are yet—that we approve a schedule up to October 28 only; at some future time, when we know exactly how many people, groups, wish to make deputations, then we approve the schedule beyond that at that later time. The schedule up to October 28 would include the minister speaking this afternoon, as well the right of the critics to speak. Is that not acceptable?

1550

Mr Mammoliti: The only thing that's acceptable at this point, until I hear from the House leaders or until we agree as a whole, is my motion. The House leaders met as early as this morning and agreed that we should get on with this. I'm not sure whether you've communicated with them or not, but they're quite willing to go forward with what's been proposed.

I can't understand why your House leaders are agreeing, our House leader agreed, to get on with this thing and move with it as proposed, but you can't agree. I don't understand. After I heard that this morning, I thought we'd come in here and we'd move things, but obviously you haven't even spoken to your House leaders in reference to this matter. The argument about wanting to listen to people at this point doesn't carry any weight, because you're continually wasting time, in my opinion.

Mr David Johnson: I take objection to that, Mr Chair. I'm putting forward an alternative scenario here that would allow us to proceed this afternoon and that's being rejected out of hand without any consideration, so that puts us in a very difficult position.

Hon Bud Wildman (Minister of Environment and Energy): May I ask a question? It might be helpful. I'm certainly not suggesting that I should in any way

interfere with the committee's work or setting the agenda. I just want to ask a question.

The fact that the legislation has passed second reading in the House with a voice vote is an indication of the views of members of the Legislature on this piece of legislation. If that's the case, I respect the concerns of members who wish to allow those who are deputants to be able to put forward their views.

Is it the case that the committee could adjust its schedule so that it could sit more often during the week in order to hear those deputants and still enable the committee to proceed with clause-by-clause in November, get the amendments passed, so legislation could be reported back to the House for third reading; reported back to the House in a timely way so that we could ensure the legislation is passed by the end of the session? Is that possible?

Could the committee decide to sit on Tuesdays so that the deputants could be heard, so that we could fulfil the concerns of the opposition members, which I think are legitimate, that they want to hear people? If they want to hear the members of the general public, as clearly they've said they do, they'd be willing to sit on Tuesdays so they could do that.

Mr Wiseman: We'll sit Tuesdays.

Mr Mammoliti: It is possible, in response to the question. It is possible and I suggested that a number of times, both in committee and again today while this debate drags on. It is possible in the eyes of the House leaders as well, from what I can gather. As early as this morning they met and said: "Get on with it. Let's deal with it." I can't understand why we're not coming to some sort of resolution on this. I don't understand why, in the eyes of the four opposition members who are in front of us, they can't agree to Tuesdays.

In answer to the question, it's quite acceptable to the government. I can't understand why the oppositions have a problem with Tuesdays.

Hon Mr Wildman: Just a point, Mr Chair: This bill, as everyone knows, was the subject of widespread consultation in its drafting prior to even reaching the House; widespread consultation, one of the most extensive consultations we ever had. As a matter of fact, there are two gentlemen present here, representing two very different positions, who were participants on the task force, Rick Lindgren from the Canadian Environmental Law Association and John Macnamara from the Ontario Chamber of Commerce, who are both in support of the legislation as members of the task force which carried on extensive consultation. It's not as if this legislation is coming before us without having widespread public consultation; it has, and these two gentlemen could clearly testify to the amount of consultation that went on.

Mr David Johnson: I was just finishing up, if I—

The Chair: I will get back to you in one second. I would just remind members that we are speaking directly to Mr Mammoliti's motion that you will have in front of you. You will note that it is the one that has been copied from Hansard because Mr Mammoliti did not exactly read the motion that was printed.

Mr David Johnson: Is this another motion?

The Chair: The clerk will distribute to you the actual motion that is before us now.

As you know, Tuesdays are possible, but in order to do Tuesdays, there has to be a request from this committee to the Legislature to do that. Therefore, we're dealing with this motion first. If we want to deal with whether we sit on Tuesdays, that's a separate issue. Now Mr Johnson.

Mr David Johnson: Maybe my parting comment is that it seems there's a bit of a deadlock here, in that the government is suggesting Tuesdays and we're suggesting more Thursdays, which would still bring this bill back to the House before the end of this session quite possibly, in my view.

The other thing I would just like to clarify is that there is some indication that this bill has had widespread consultation and that all and sundry are more than happy with it and there really is no need for any further consultation.

Hon Mr Wildman: No, that's not what I suggested.

Mr David Johnson: Clerk, just for my clarification, I have a list of 30 groups and individuals. It's my understanding that these people have contacted—have they contacted you? Could I ask that question?

Clerk of the Committee: That is correct. On the list I just presented to you there are 32; the 31st and 32nd called this morning while we were in committee, so you have the up-to-date 32 groups that have called my office.

Mr David Johnson: We now have 32 organizations or individuals who have contacted you and requested to appear to make a presentation before this committee.

Clerk of the Committee: That's correct.

Mr David Johnson: Have we advertised yet?

The Chair: No.

Clerk of the Committee: The committee has not decided that question yet.

Mr David Johnson: I may be asking you a question that you can't answer, but from your experience, in addition to these 32, if we did advertise, how many more groups or individuals is it likely that we might uncover that would be interested in making a deputation to this committee?

Mr Grandmaitre: Between 1 and 300.

Mr David Johnson: Take a shot at it. I'm just trying to determine the interest in this topic from the people in the province of Ontario. We already know that

there are 32 groups that would like to speak to us.

Clerk of the Committee: It's been my experience that individuals and groups try to get their names on the list before the advertisement goes out. Once the advertisement comes on line, there will be an extra number of other people and groups wishing to appear.

Mr David Johnson: It's not beyond the realm of possibility that there could be 50 groups, for example, in total; 32 plus another 18 or so.

Clerk of the Committee: Anything is possible.

The Chair: Perfect answer.

Mr Grandmaitre: You should be sitting on this side.

Mr David Johnson: Mr Chair, I could have some amendments to make, but there's not much sense making them. The government has already indicated it's not going to support us; it's Tuesday or nothing. I don't understand why we didn't start this process a couple of weeks earlier. I think the government has some responsibility to do that, as it is their bill. We perhaps could have met last Thursday or maybe even the Thursday before, but certainly we could've had all this cleared out of the way.

Interjection.

Mr David Johnson: Couldn't we? Well, last Thursday, could we not? I don't know.

The Chair: I would just point out that the subcommittee did meet last Thursday in order to settle these questions. A consensus was not able to be arrived at at that point. The committee has moved as expeditiously as possible in terms of—

Mr David Johnson: It seems to me that the government has some obligation to drive that, if this is important to it. Perhaps they could have asked the subcommittee to meet the week before that again, to have all this in order.

1600

Mr Mammoliti: I want to add that I did try to get a subcommittee meeting arranged for yesterday, so we could deal with these items as well before we came here—I think that's important to add—but unsuccessfully, of course, because the Chair was out of town.

Mr David Johnson: I think there are Thursdays that are there—

Interjections.

The Chair: Order. Mr Johnson has the floor. It would be helpful if Mr Johnson spoke.

Mr David Johnson: I think there are enough Thursdays in place to have this considered and have it back before us by the end of the session, which I think is what the agreement of the House leaders was. I would simply ask the government to take another look at that possibility.

Mr Grandmaitre: I'd like to point out that I do

have a problem with the process. I think everybody around this table realizes and knows the importance of Bill 26. I think everybody around this table wants this legislation in place. But at the same time, we want to give people in the province of Ontario who didn't have a chance to be consulted or were consulted but might want to add something else to Bill 26—when you look at the motion that's before us to be considered, the motion by Mr Mammoliti, I'm looking at the bottom line, "November 4, morning and afternoon, for clause-by-clause." Without repeating what the previous speaker pointed out, a good number of people will want to tell us their views on Bill 26 and might inform the government and members around this table that possibly they could make the bill even better. But when I look at the agenda, the process, I think it's impossible to really consider anything else except Mr Mammoliti's motion and "November 4, morning and afternoon, for clause-by-clause."

I realize that the whip has talked about the possibility of meeting on Tuesdays, but this is not our prerogative. It is up to the House to decide if Tuesdays are acceptable. Mr Mammoliti was saying, "You haven't spoken to your House leaders." Well, I'm sorry, but I have. The understanding was that this bill should be out of this committee by Christmas and not November 4. This is what I was told.

Mr Mammoliti: Fall session.

Mr Grandmaître: That's before Christmas.

Mr Mammoliti: We've got other bills we need to deal with.

Mr Grandmaître: To put an end to this very important bill, a very abrupt end, on November 4 to me is unacceptable. Until we do find out if the House leaders want and the House will accept our sitting on Tuesdays, I don't think we can debate this around this table.

Going back to the schedule, critics' response and time, this is not part of our agenda, really. It's not part of Mr Mammoliti's motion. It's not part of his motion, so he's leaving out the critics' response, because we would need more time.

Going down to number 4, expert witnesses, I think we should ask experts like, for instance, John Sewell. We should invite these people to come before this committee and tell us what they really think about this bill. Because I know Mr Sewell is very interested in what's going on, especially at the planning level in this province, and is concerned for the environment. I don't know if John Sewell and the Association of Municipalities of Ontario were asked for their thoughts on Bill 26.

Let's address Mr Mammoliti's motion. He's inviting us to amend this motion. I'm asking you, Mr Mammoliti, to consider removing "November 4, morning and afternoon, for clause-by-clause." Let's wait and

see how many deputants we will receive through our ads in the newspapers. You might be surprised that a lot of people are anxious to see Bill 26 in place but at the same time would like to have their say.

If Mr Mammoliti is willing to remove "November 4, morning and afternoon, for clause-by-clause," then we could go back and see our individual House leaders and consider meetings on Tuesdays, but at the present time I don't even want to consider Tuesdays, because neither the critic nor myself has spoken to our House leader.

I think this committee should give every Ontarian the opportunity to address Bill 26. It may be the most important bill we will have to deal with in this session.

Mr Paul Wessenger (Simcoe Centre): I'm going to be very quick and just indicate that it appears to me that the logical solution to this problem is to recommend to the House leaders additional hearing times before the November 4 date. That would be my suggestion, and it could be even more liberal than Tuesdays, as far as I'm concerned. You could have evening hearings, if you wished to. That's my only suggestion.

Mr Wiseman: I want to make a couple of points. We've been at this now for almost two hours and 38 minutes and still no resolution. One of the things I would like to clarify is that it's our understanding on this side, first, that the Tuesday sessions were suggested by the Liberal House leader, that Tuesdays be accepted and, second, that at the House leaders' meetings it was agreed that not only would this bill be out of this committee before Christmas, but the bill would receive third reading before Christmas. It seems to me that if we are going to have third reading before Christmas and have this bill passed, we will have to stick to some kind of timetable. The one that we have suggested has this out of this committee by November 4 and moving along.

Secondly, I think that if the question were put to the environmental groups whether or not they would prefer to have this bill carried over and perhaps not passed at all until June, their choice would be that they would like to have it before Christmas. I think that it's important for us to recognize—and I have the consultation paper at home; it's about this thick and I've read through it—that a lot of environmental groups have had their positions put forward. They have discussed it and it's been constantly debated. Therefore, I think it's incumbent upon us to move this bill along. I think that's what the people of Ontario want more than they want to delay this process by having submission after submission. Therefore, given that this debate has now gone on for over two and a half hours, I would call the question.

The Chair: Mr Wiseman has moved that the question now be put. I believe that's in order. Shall the question now be put?

Mr Offer: No. What are you talking about? I object to that.

Mr Mammoliti: There's no debate on the question.

The Chair: There's no debate on the question. I've ruled Mr Wiseman's motion in order.

Mr Offer: But I haven't spoken to the motion.

The Chair: I've ruled it in order.

Shall the question now be put? All in favour? Opposed? It's carried.

I think, for clarity, the clerk should read Mr Mammoliti's motion. Then we will vote.

Clerk of the Committee: Mr Mammoliti moves that the committee during the consideration of Bill 26, the Environmental Bill of Rights, be authorized to meet on October 14 in the afternoon to listen to the minister speak and to answer questions; October 21 in the morning for technical briefings from Ministry of Environment staff, and in the afternoon we'll commence hearings; October 28 in the morning and afternoon we'll continue hearings; and November 4 in the morning and afternoon we will finish out with clause-by-clause.

The Chair: All those in favour of Mr Mammoliti's motion?

Interjection.

The Chair: A recorded vote.

Mr Tilson: Mr Chairman, on a point of order—

Mr Mammoliti: Mr Chair, you're in the middle of a vote. There are no points of order.

The Chair: Thank you. You're very helpful, Mr Mammoliti. Mr Tilson, is this regarding the vote?

Mr Tilson: This is involving the procedure of this committee.

Mr Mammoliti: Mr Chairman, we're in the middle of a vote.

The Chair: I think it could wait until after the vote, Mr Tilson.

Mr Tilson: With due respect, if you could hear my point of order, Mr Chairman.

The Chair: Well, let's hear it.

Mr Tilson: All of these matters that have been on the agenda are really circumvented by this motion, which was made before we even had an opportunity to look at the agenda. My question and my point of order is, is the motion really in order when we haven't looked at all other matters which we'll really be pre-empted from discussing? Many of the items, for example, that I referred to in my comments, page by page—you can run through—we really are now precluded from, because I assume now that the minister is going to speak. I don't know when we're going to be able to discuss these other matters. As a result of this motion, there doesn't appear to be a time, for example, to discuss the form of the advertising, how we're going to

choose the list—

The Chair: Thank you, Mr Tilson. I've considered your point of order. It is an important point to make, but it is not a point of order. The Chair is concerned about how we will deal with this.

Mr Offer: Mr Chair, I'd like a 20-minute adjournment.

The Chair: Twenty minutes.

Mr Mammoliti: Call the vote.

The Chair: I called the vote. The opposition has the opportunity. We're in adjournment for 20 minutes.

Mr Mammoliti: We were in the middle of the vote, though.

The Chair: They have the opportunity, I understand. If they ask for it, they get it, as when you ask for it.

The committee recessed from 1612 to 1632.

The Chair: We will reconvene. All those in favour of Mr Mammoliti's motion will raise their hands. It's a recorded vote.

Ayes

Dadamo, Lessard, Mammoliti, Wessenger, Wiseman.

The Chair: Those opposed?

Nays

Johnson (Don Mills), Offer, Tilson.

The Chair: The motion is carried.

Mr Offer: I have a motion I'd like to move.

The Chair: I think, under the instructions we've just received by way of Mr Mammoliti's motion, that the minister will now make his statement, so I would call on the minister. If you have further motions, they may be made following the minister's presentation.

Mr David Johnson: Point of order on that, Mr Chair: Mr Mammoliti's motion says the minister will speak today. It didn't say when he'd speak today.

The Chair: Obviously, but that is the only order of business for October 14 in the afternoon, so I would presume that the minister—am I presuming too much?

Mr David Johnson: Just looking at the agenda, some humble advice.

The Chair: I'm always looking for humble advice.

Mr David Johnson: Just looking at the agenda, there were three items on the paper in terms of the agenda. Mr Mammoliti's motion, I would think, would essentially deal with part of clause 1, or you may interpret it as all of item 1, but does it deal with supplementary budget, which is item 2?

The Chair: I appreciate your concerns. The agenda, of course, was set unilaterally by the Chair. The committee has instructed the Chair to proceed otherwise, by way of Mr Mammoliti's motion. I believe it would take precedence.

Mr Offer: Just to pick up on the point made by Mr

Johnson, I understand the motion states October 14 in the afternoon to listen to the minister speak and to answer questions. It's not time-specific at all, and as we are within the meeting period of the committee, it would seem that motions would be in order, I respectfully submit, in order to deal with whatever matter the committee may do, keeping in mind Mr Mammoliti's motion.

The Chair: Mr Mammoliti has some further advice.

Mr Mammoliti: Perhaps a suggestion. I know we need to deal with other housekeeping items in terms of the agenda. I would certainly recommend that we keep 15 minutes available after the minister answers questions this afternoon. Perhaps at a quarter to 6 we could break with the minister and talk about the other items we need to come to an agreement on, use that 15 minutes to talk about that and to deal with the other housekeeping items.

Mr Grandmaître: Are you telling the minister to limit his remarks?

Mr Mammoliti: I would ask everybody here to keep under consideration that we're under time restraints, including the minister, of course, and recognize that we need to deal with these other items. This is a friendly recommendation I'd like to make at this particular time. If you choose not to, then—

Mr Wiseman: Let's get on with it.

Mr Mammoliti: Let's get on with it. But it's a recommendation I'd like to make.

Mr Offer: I do have a motion which I still would like to put to discuss. The motion put forward by the NDP does not speak to the issue of time for the minister. I believe my motion and the issues contained within it are important in terms of the workings of the committee.

Hon Mr Wildman: If I might, as I understand it, the motion that was passed was not a time allocation motion, and so whatever the committee decides is more appropriate I'm willing to accommodate. I'm here until 6 pm. If you wish to hear me now or some time later between now and 6 pm, I'm willing to do whichever the committee wishes to do. I'm certainly enjoying this process and learning a great deal. I am pleased to accommodate the committee and I appreciate the committee's willingness to hear me speak, as the motion says.

Mr Lessard: I wonder if the minister could advise us how long he intends to speak if he has prepared comments.

Hon Mr Wildman: I think it largely depends on how much time the committee allocates for me to speak. Frankly, Ben indicated that you were trying to limit my speaking. He knows the difficulty I've had in that regard in the past.

The Chair: I'm thankful for all the advice. The

Chair is in something of a quandary here. Mr Mammoliti's motion does specifically indicate that the minister will be heard this afternoon. There are a large number of procedural issues to be dealt with by the committee, as Mr Johnson, Mr Tilson, Mr Offer and Mr Mammoliti, among others, have noted. I would suggest, so that the committee can move forward, that we might follow the recommendation of Mr Mammoliti's motion, permit the minister to speak and deal with the procedural matters either after the minister has spoken or in subcommittee, perhaps the first of the week.

Mr Offer: My question is, is that a ruling of yours or not?

The Chair: It's a ruling.

ENVIRONMENTAL BILL OF RIGHTS, 1993

CHARTE DES DROITS ENVIRONNEMENTAUX DE 1993

Consideration of Bill 26, An Act respecting Environmental Rights in Ontario / Projet de loi 26, Loi concernant les droits environnementaux en Ontario.

The Chair: Mr Wildman, it's a pleasure to have you with us this afternoon.

Hon Mr Wildman: Thank you. I appreciate the need for the committee to order its business. I have had the pleasure of being a member of this committee in the past and I appreciate the work that members on all sides of the House do in this forum.

I am pleased to have the opportunity to address the committee and I look forward also to hearing the views of members of the committee, particularly the opposition critics, on the Environmental Bill of Rights, which we believe, and I think members of the House all believe, will benefit Ontarians and the environment in this province.

I believe this legislation is a landmark bill which will meet the needs of the public, industry, environmental groups and the government. We see this as an important building block in the creation of a sustainable economy that will set new and higher standards of environmental protection both now and for years to come.

The Ontario government sees the passage of this bill as a commitment that it has made and will meet for the protection of the environment. I think the deliberations of the committee will demonstrate why the Environmental Bill of Rights is necessary to take environmental protection in Ontario to a new level, and I would like to have the opportunity now to explain how the EBR, as we call it, will work.

Again, as I indicated earlier, I'm pleased to note that members of the committee agree with the principle of the Environmental Bill of Rights and what you've been debating this afternoon, and earlier, I understand, is really how we can best approach that debate and ensure that members of the public have some input into the deliberations of the committee. It is true that you have

questions that I would like to have the opportunity to answer, and it's also true that there may be some concerns and perhaps some misconceptions about the bill that I would like to deal with.

1640

It's the position of the government and a commitment of this government that in order to restore and protect the environment, we had to, as a government, live by a number of basic principles and directions.

First, the environment must be taken into account in all policies and programs throughout ministries across the government and all government bodies. I think everyone would agree that all of us have a stake in the environment and we all have the right to enjoy its benefits and a responsibility for its protection. So we must do what we can to move towards a sustainable environment in transforming ourselves from a consumer society to a conserver society. In order to do that, we believe we must have stronger prevention strategies to stop further damage to the environment and to clean up existing problems in our environment.

Traditionally, governments in Ontario have taken a command-and-control approach to environmental protection. We believe we must move to a more proactive strategy of pollution prevention and we must be able to involve all members of the public in that process.

It's true also, of course, that Ontario remains one of the toughest environmental enforcers and that I recognize that this government is building on the efforts of previous governments in that regard. I am fully cognizant of the work that has been done by my predecessors on all sides of the House.

We have been moving further in terms of increasing the number of environment-related charges. The unacceptability of environmental offences in Ontario is reflected in the tough sentences the provincial judges are handing down. In 1992, there was a record \$3.5 million in fines levied and, indeed, three individuals were convicted of environmental offences and were sent to jail. Also, as you know, we have launched a crackdown on illegal waste disposal practices, beginning with a series of enforcement sweeps in the GTA particularly.

The waste reduction action plan that we have initiated has met the target of 25% reduction in the amount of waste sent to landfills in 1993 and we are aiming at a 50% reduction by the year 2000. We believe the plan is working well, but we have to renew our efforts in order to ensure that we meet the next target.

We have announced far-reaching 3Rs regulations and Bill 7 is before the House, which will help to provide municipalities with additional powers to implement the blue box programs, composting programs, as well as other 3Rs activities.

We believe, I think perhaps more than previous governments, that in order for us to have true economic growth environmental protection must be integrated with all of our efforts. We don't see the environment and environmental protection as somehow contradictory to the need for economic growth.

Why do I believe that the Environmental Bill of Rights is taking us along that road to a higher level of environmental protection? We believe that environmental considerations must be taken into account before decisions are made and that the Environmental Bill of Rights will enable us to have environmental considerations at the forefront from the beginning and throughout the decision-making process. We believe this also will help us to avoid costs, both economic and environmental, further down the road.

As I said earlier, this bill has gone through a significant consultative process. I'd like to talk a little bit about the development and the consultation around the bill.

As a matter of fact, I heard in the House during second reading debate some criticism of the government for the length of time it has taken us to move forward with this legislation in the Legislature. We were criticized about the length of time it took, but I believe, as I said myself in the second reading debate, that we would have also been criticized if we had simply introduced the bill as a *fait accompli* and taken the fast-track approach, which probably would have resulted in the bill being passed much more quickly after we came into government in 1990 but perhaps might have produced a result where we would have a piece of legislation that wasn't sensitive to the needs of those it was intended to serve. Instead, we took the time to consult widely and listen to as many groups and individuals as possible.

The first round of consultation came with the formation of an advisory committee in December 1990 to obtain public feedback on the principles to be included in the bill. The members of the committee included a broad cross-section of stakeholders. During that consultation we found a lot of support for the bill, but people wanted an actual bill to comment on. They didn't want to talk about just the principles around the proposed Environmental Bill of Rights; they wanted to look at a piece of legislation.

In response to that, my predecessor formed a task force to draft the bill, which would initiate further discussion. The task force consisted of representatives of the public, industry, business, government and environmental groups. As I indicated before, we have two members of the task force here with us this afternoon, one representing business and the other environmental groups. We needed to get the right people around the table and I believe it paid off. We found enough common ground to reach a consensus on the

context of a draft bill and I believe this is one of the most important accomplishments of the Environmental Bill of Rights story.

Actually, when we announced the draft bill and the work of the task force, some members of the media wanted to know what I thought business's reaction might be, and the media expected there was going to be some sort of conflict, I think, with the legislation that was proposed. I was able at that time to have most, I think all except perhaps one, of the members of the task force present and to ask the representatives of business who were on the committee to respond to that question. At that time they indicated that they wanted us to proceed quickly with the bill and have it passed as soon as possible. Perhaps for the media consensus among groups with differing points of view is not news. I believe that is indeed news. Conflict would have been something that would not have been unusual.

I'd like once again to thank the members of the task force for the work they did and the consultation they carried out with so many different groups and the changes they proposed in the draft bill to respond to what they heard.

1650

The ministry then introduced a draft bill for further consultation with the public and other stakeholders after we had the task force report. Some fine-tuning has taken place since the bill was released in July 1992, but it has basically stayed true to the task force recommendations and the original principles put forward.

As you will recall, these principles are the public's right to act to protect a healthy environment; enforcement of this right through improved access to the courts, including an enhanced right to sue polluters; increased public participation in environmental decision-making by governments; increased government accountability for the environment; and greater protection for employees to blow the whistle on polluting employers.

The bill is necessary to ensure that everyone has a say in what the environmental agenda is and how it will be delivered. Environmental decision-making should not be left solely in the hands of government or industry. I don't think any members of the task force would suggest it should be and, for that matter, very few of those who presented their views to the task force would maintain that position.

We can't carry out our work effectively if people either don't understand the rules or don't have confidence in them. This bill is needed to ensure government accountability, to ensure that all governments, regardless of party, in future continue to carry out the responsibilities towards environmental protection. As many of you already know, the task force supported the bill you have before you.

The Environmental Bill of Rights will work, we

believe, to meet these objectives. Many of the concerns raised through the consultations, and which have been addressed in the bill, were expressed again during the second reading debate, which is not surprising. I'd like to take an opportunity to tell you how we have handled these issues.

The first that was listed by many members in the second reading debate was the electronic registry. This is the principal vehicle for public participation, the backbone of the public's right to information. The registry will be used to inform the public of environmentally significant activities by designated ministries. It will be a computerized bulletin board of ministries' proposals for acts, regulations, policies and instruments, as well as the statements of environmental values, court actions and appeals of instruments.

The registry is being developed to tap into existing infrastructures, such as public facilities and networks, for access. Public access to the registry for Ontario residents will be accomplished in a number of ways. Those who have computers and modems at home or business can access directly through a local or a 1-800 number. Those who use an existing network as a research tool, such as Internet, FreeNet or ONet, can use that access mechanism and government can use the government of Ontario network, GONet. Those who do not have access to such networks will be able to visit a local library and use the hardware-software made available for access to the environmental registry. A draft regulation classifying Ministry of Environment and Energy instruments will be placed on the registry and was released in August during second reading.

There were a number of questions during second reading about the statements of environmental values. Fourteen ministries will be required to develop a statement of environmental values, indicating how they will incorporate the environment into their decision-making. With these statements, we are creating a government-wide environmental ethic by which each ministry can be judged. Ministries may change their statements of environmental values from time to time to ensure their applicability remains intact.

The Ministry of Environment and Energy is working with other ministries to develop a common understanding of the environment and is holding a workshop for this purpose. I know that some of you, in the second reading debate, wanted to see these statements of environmental values during these committee hearings. I know Mr Offer specifically raised this matter. Obviously, until the bill is proclaimed there is no legislative requirement for ministries to have completed their statements, but I assure you that steps are under way to ensure a common understanding is in place and the work is proceeding now. I will point out that the full text of the SEVs will be placed on this registry for public comment within three months of the proclama-

tion of this bill. We hope that will be early in the new year.

At this time, all interested individuals or groups will have a chance to examine and comment on the adequacy of the draft statements of environmental values and to recommend changes. As the bill is based on the principles of political accountability, ministers have discretionary powers to determine which decisions are environmentally significant. Administrative and financial proposals of a ministry that are clearly procedural in nature will not be subject to the requirements of the EBR as these policies do not impact the environment.

The government will be held politically accountable for its use of the EBR by an independent Environmental Commissioner, and that is what is important. Obviously ministers will make the decisions and will be responsible for those decisions, but it will be the responsibility of the commissioner to monitor the compliance of the various ministers and then to report.

The commissioner has the responsibility to ensure that ministries adhere to the requirements of the bill, utilize the registry and consider the comments received from the public and use their discretion appropriately, as well as complying with requests forwarded to them by the commissioner.

The commissioner will have access to any information needed from a ministry. For example, he or she will be able to obtain comments received on a proposal for an instrument in order to review the use of discretion and what steps were taken or not taken.

It is with this information and statistics available from the registry and the commissioner's office that the commissioner will use wide-open reporting powers to bring notice of abuse of the EBR to the Legislature, and it's important for us to recognize again that the commissioner will be reporting to the Legislature, not to a minister of the crown.

It is important to remember the commissioner will not oversee the application of environmental laws. He or she will serve as a watchdog to ensure the government's implementation of and compliance with this bill. The annual report to the Legislature will deal with the government's record of placing environmentally significant decisions on the electronic registry for public review and the government's handling of requests for reviews and investigations from the public.

The commissioner cannot be part of an existing ministry in order to fulfil the role of watchdog over the government. All ministries must be judged equally by the commissioner in the report to the Legislature.

It's been suggested that the setting up of the commission and the appointment of the commissioner might add too much bureaucracy to the process. It has also been suggested that perhaps we were somehow setting

up another Ombudsman's office. With great respect to the Ombudsman's office, that is not in any way what is contemplated here. The number of staff to be used by the commissioner is quite limited and the budget for the commissioner's office is, again, limited.

Interjection.

Hon Mr Wildman: I said with respect to the Ombudsman's office.

Mr Offer: I think that statement was made when they set up the Ombudsman's office.

Hon Mr Wildman: There weren't specific limitations as there are in this legislation.

The request for reviews: Ontario residents will have the right to request reviews of prescribed government acts, regulations and statements of environmental values, and to request new acts, policies or regulations. As I said, the appropriate minister will determine if the request meets the criteria outlined in the bill to merit a review.

The bill places the onus on the ministry to justify why a review has not been undertaken. With regard to requests for investigations, these can be initiated where there is a suspected violation of a prescribed act, regulation or instrument. Requests for reviews or investigations may be made by any two Ontario residents.

1700

Of particular significance is the EBR's provision of access to the courts to protect the environment for residents of Ontario. As I said during the second reading debate, we don't believe this will open floodgates to frivolous suits, because this bill creates no new offences. A person can go to court only to protect a public resource. There will be no award of damages to those who sue, so there certainly will not be a financial incentive for an individual or a couple of individuals to initiate a suit.

A person can initiate a suit under only two circumstances: when a request for an investigation was rejected by the minister or was not conducted in a timely or satisfactory manner in the view of the member of the public, or when harm to a public resource is about to occur as a result of an imminent contravention of an environmental law.

In the case of alleged violations that involve ordure, dust or noise on a farming operation, which was another issue that was raised during second reading, access to the courts may be initiated only after a hearing of the Farm Practices Protection Board. This provision of the bill was inserted specifically at the request of the agricultural community, and we believe it will provide adequate protection of farm practices while, at the same time, ensuring that members of the public will be able to use the bill to protect the environment against violations.

It's changes such as these, which are throughout the

bill, that reinforce the success, in my view, of the consultation process and also our commitment to avoid duplication with other legislation or agencies and to limit bureaucracy.

I appreciate the concern of the farming community that farmers might be subject to nuisance suits related to ordure, noise and/or dust. I come from a farming area and I grew up in a farm community, so I understand their concern. That's why, when it was recommended that we have access to the Farm Practices Protection Act referenced in the bill, we agreed readily. I can assure farmers they will continue to be protected under the Farm Practices Protection Act against frivolous suits. In fact, on July 20, 1993, an article in *Farm and Country* magazine supported this legislation, calling it "more farmer-friendly."

As I said, there are no financial incentives to sue. A successful suit won't lead to monetary rewards. Court actions are seen as the last resort in this legislation. The two principal remedies under the bill will be stop-work orders and plans to restore the environment. Again, frivolous suits can be screened out at several points during the process. There will be penalties for those who knowingly initiate a suit based on falsehoods.

It's important too to recognize that the whole thrust of the legislation is to involve members of the public early on in the decision-making process. By so doing, we believe the concerns that are legitimate and should be responded to will indeed be dealt with early on in the decision-making process, so there will not be the necessity, in most cases, to resort to reviews, investigations or particularly court cases.

In the case of public nuisance suits, barriers to the courts have been removed. However, any person who has suffered direct economic loss or direct personal injury caused by pollutants may sue for damages or other remedies, obviously. As I said, the emphasis on public participation throughout the bill will reduce the need for suits by getting people involved at an earlier stage in the environmental decision-making process. We believe this will lead to better environmental decisions.

One of the issues that was raised as well in the second reading debate was the enhanced whistle-blower protections. It's often been said that employees might wish to initiate investigations when they believe their employer might be violating an environmental regulation or law, but they feel vulnerable in requesting reviews or investigations of such incidents. Under this legislation, employees will have the right to participate in any activity under the EBR, and they will be protected if they blow the whistle on a polluting employer.

Complaints may be made to the Ontario Labour Relations Board where an employee feels that, as a result of their legal actions or involvement under the EBR, they have been unfairly dismissed, disciplined, penalized or otherwise harassed by an employer. If the

board finds in the employee's favour, it will require the employer to rectify the situation, including compensation for lost earnings.

Perhaps the most-often-raised concern during second reading debate was the cost of implementing the bill in the current economic situation that we face in Ontario. It is estimated that the Ministry of Environment and Energy's costs will be in the neighbourhood of \$4.5 million during the next two years. This cost covers many things, including the establishment and operation of the electronic registry on behalf of all prescribed government ministries, a public awareness program about the registry so the public knows what is being proposed and the how-to's of access to the registry.

It will also include the development and implementation of a training program for all of the government to ensure that government employees understand the new ways of doing business and the new requirements set out under the Environmental Bill of Rights. It will also include the establishment of many corporate processes, such as how each ministry will deal with requests from the Environmental Commissioner and the involvement of other ministries to ensure that they can benefit from the Ministry of Environment's experience. It will also include the Ministry of Environment and Energy's implementation requirements to comply with all parts of the bill in the first year.

We expect that other ministries, as they are phased in, will learn from the experience of the Ministry of Environment and Energy. The costs obviously will vary for various ministries in complying with and implementing the bill, but we expect that they will be significantly less since they will be able to benefit from the Ministry of Environment and Energy's experience. Also, they will of course not be funding things like the electronic registry or training programs across government.

As I've said from the outset, I believe the Environmental Bill of Rights is landmark legislation. It will change the way the government does business in Ontario. It will place an additional onus on the bureaucracy to stop and listen before acting, and it will bring environmental protection to a higher level. By increasing public participation, the Environmental Bill of Rights will help to prevent environmentally unsound decisions being made that would have had to be paid for in the future or by future generations.

The Environmental Bill of Rights for the province of Ontario is a goal that is shared by all members of this committee, I believe. I look forward to your work in hearing deputations and going through clause-by-clause and moving whatever amendments you deem necessary. I urge you to do, and I expect you will do, all of the work possible to ensure that this is a most effective piece of legislation. Again, I thank you very much for the opportunity this afternoon.

The Chair: Thank you, Minister. According to Mr

Mammoliti's—

Mr Offer: Orders?

The Chair: —orders, or resolution, or motion, there is now to be an opportunity for the minister to answer questions. I assume from that that people get to ask questions. I further assume that the critics will have the first opportunity to respond, as is the normal practice, with the agreement of the committee.

1710

Hon Mr Wildman: Mr Chair, if I might, I'm looking forward very much to the exchange and I hope all members of the committee, particularly the Liberal and Conservative critics, will indeed have the opportunity they require in order to clarify any matters related to the bill.

Mr Wiseman: On a point of order, Mr Chair: Could we ascertain how long each caucus is going to have in terms of the remaining time if we're to finish at 5:45?

The Chair: Why at 5:45? The committee sits till 6.

Mr Wiseman: I thought there was some agreement that we would try to sort out some other issues. It's up to you.

The Chair: It has been the general practice of the committee to divide the time equally between the minister and the two critics. I believe each critic would therefore have about half an hour; well, 25 minutes. If they want to use less time, then of course we have an opportunity to discuss important issues that have heretofore been unresolved.

Mr Offer: First, let me indicate, as I and representatives of my party did on second reading, general support in principle of the legislation.

Minister, unfortunately you have been here to see some very unnecessary procedural wranglings. I'd like to believe that all members of the committee and all members of the Legislature are always respectful of ministers, ministries and ministry staff, and will continue to be so, but I think you will realize that there are some very large problems that have arisen with respect to the particular procedural motionings by members of the government, and that is unfortunately going to limit the way in which we can deliberate this particular bill.

I note the last point you made, that you hoped this committee would have sufficient time to look through this bill and give the people of this province the opportunity to participate. You will know, Minister, that this will not be possible in this matter.

Hon Mr Wildman: I'm sure all members would be willing to sit night and day to do that.

Mr Offer: It's not a question.

The Chair: Mr Offer has the floor.

Hon Mr Wildman: I thought it was a question.

Mr Offer: No. It's an important statement.

Minister, you've spoken about the 14 ministries by

regulation. Could you please explain to me why this committee cannot have their statement of values?

Hon Mr Wildman: I think I did in my opening remarks. By the way, I should introduce Bob Shaw from the ministry, who is responsible for the implementation of the Environmental Bill of Rights, who's here with me.

The Ministry of Environment and Energy is currently working on the statement of environmental values for our ministry. Other ministries are also carrying out preliminary work in that regard. We are carrying out training sessions. I mentioned the workshop that is being held to assist other ministries in developing the statements of environmental values.

I guess some would suggest it would be presumptuous of the ministries to proceed to develop the statements of environmental values prior to knowing whether the legislation would pass in the House. I don't take that position. I think we should be working as diligently as we can throughout the piece, and we are doing that. As I assured you, we are committed to ensuring that all the statements will be ready three months after the proclamation of the legislation, which I hope will be early in the new year, so all the statements will be available to the public for comment and criticism, if that's necessary, in March or April 1994.

Mr Offer: There are no statements from your own ministry that you could share with this committee, if not from other ministries?

Hon Mr Wildman: Sorry, did I say three months? It's nine months. The drafts will be available in three months and then they'll be finalized nine months following proclamation, after we hear comments and so on. The statement from our ministry is currently being worked on. It is not ready yet, no.

Mr Offer: Dealing with environmental charges, and that was part of your statement, would this bill permit individuals of this province to criticize your ministry over its failure to levy charges?

Hon Mr Wildman: According to the bill, we could be asked to review a decision of the ministry with regard to the results of an investigation and why charges had or had not been laid.

Mr Offer: In the event that an individual in this province has particular information that your ministry is aware of companies which are contravening regulations of your own ministry, and you are aware of it and have not instituted charges, are you subject to criticism?

Hon Mr Wildman: Under the bill, if the bill were passed, yes, the minister could be asked to review a decision not to lay charges; if the individual believed there was a contravention of a regulation, yes, if the bill were passed.

Mr Offer: In the area of the commissioner, does the commissioner have any power to force a ministry to

comply with its statement of values?

Hon Mr Wildman: Well, the power of the commissioner is a monitoring power, I guess, and a reporting power. The commissioner is required, under the bill, to report annually to the Legislature, and the commissioner then will judge the decision-making that has been done by ministers against the statement of environmental values and in relation to requests for reviews and investigations and will report to the Legislature as to whether or not a minister or ministers are complying with the legislation and will be critical of ministers who are not.

Mr Offer: Minister, apart from the fact that we will have a report on our desks once a year and will be instructed as to that, will the commissioner have any power to enforce compliance even though the commissioner has investigated and has found a ministry wanting?

I can use a specific example, if you wish. It's clear that you have a particular regulation dealing with refillables. It is patently clear that no one is complying with that percentage. It is, thirdly, clear that no charges have been levied. If someone wishes to take that to the commissioner, can they force you to lay charges?

Hon Mr Wildman: The commissioner, as I said, has a reporting function and I would doubt very much that the report will end up on your desks. If the commissioner were to be hypothetically critical of the Minister of Environment and Energy for not laying charges on a particular matter, I would suspect that Steve Offer will be up waving the report in the House and asking a question about the reason for the commissioner's statement in the report.

1720

This is a matter of political accountability. The commissioner, in a non-partisan way, will report to the Legislature and then the members of the Legislature will deal with the report and do as they deem fit. I would imagine members of the Legislature would raise matters with the minister in the House. I would also suspect that it might be a case that the members of the Legislature might indeed want to consider the report of the commissioner in a committee setting at some point and bring a minister or members of the ministry before the committee to answer to criticisms that have been made. This is a matter of political accountability. It's not a matter of the commissioner being able to force a minister to do something or not to do something.

Mr Offer: This is why discussions on this bill were absolutely necessary. I'm glad that there are two members from the task force and I hope they were as distressed with the goings-on of this procedural wrangling as we were, and really felt that the bill could take up the challenge of public scrutiny.

Hon Mr Wildman: If I could add just one thing

before you ask your next question: I don't want to prolong this, but it is important for us to recognize that the commissioner, in reporting, will be reporting on the minister's compliance or non-compliance with the Environmental Bill of Rights. You asked about whether or not the minister's compliance with the statement of environmental values might be subject, and that is a matter for reporting.

The commissioner's role would not be to comment on whether or not a minister has enforced environmental laws. Rather, it would be to report on whether a minister has made decisions properly, appropriately, as it relates to the minister's responsibilities under this bill when it becomes an act.

Mr Offer: I read the bill, unfortunately, differently. I had thought that the Environmental Bill of Rights gave to individuals outside of the political accountability process the opportunity to use the Environmental Commissioner as a way to make certain that ministries did their job and did not have to rely on any one particular member to bring an issue up in any one particular question period. So I've got a little concern with the response—

Hon Mr Wildman: A member of the public can get the assistance of the commissioner in getting information and requesting reviews.

Mr Offer: Dealing with the issue of whistle-blowing, in the event that there was an employee of the government who was very distressed with the goings-on of the party in power and told someone else, would they take protection under the Environmental Bill of Rights?

Hon Mr Wildman: If a member of the civil service believed that a decision that had been made by a minister or ministry official was in contravention of an instrument or regulation or law as prescribed under the Environmental Bill of Rights, and that individual requested a review or requested an investigation, yes, that government employee would be protected under the Environmental Bill of Rights.

Mr Offer: Would the whistle-blowing protection, as you've explained, attach to an employee who, in your words, if I might paraphrase, is absolutely aware that the government is not complying with certain rules or regulations that it itself has prescribed and shares that information with outsiders—does not go through the commissioner, but shares that information? In the traditional case of whistle-blowing, would that person be protected?

Hon Mr Wildman: The whistle-blowing protection under this bill applies to this bill and its regulations. It is designed to ensure that all members of the public, government employees or workers in the private sector, will be protected if they avail themselves of the provisions of this legislation, and I think that's clear.

Mr Offer: I'm still somewhat confused with the

response. The question I'd like to ask is that there will be employees of the government who will be privy to activities or non-action or inaction of government and will want to alert the public, in the best manner possible, of that inactivity. Will they be able to do so free of any penalty, or is there a different definition?

Hon Mr Wildman: As you are fully aware, having been a member of a government, civil servants in the province do have an oath of secrecy. I'm sure no one has ever gone against that oath of secrecy by leaking documents to the public or to the members of the opposition, but I have heard it on occasion rumoured that this does happen.

Mr Wiseman: No. It would never happen.

Mr Offer: Let me ask, will the whistle-blowing protection be afforded to those individuals?

Hon Mr Wildman: As I said earlier, clearly the whistle-blowing protection in this bill applies to this bill and to the provisions of this bill. If the member of the civil service wishes to avail himself or herself of the provisions set out in this bill for trying to bring forward a situation where that individual believes that a minister or a ministry is not living up to its obligations under the bill, they will be protected by the provisions of this bill. If they wish to act outside the provisions of this bill, then the other provisions that apply to them remain.

Mr Offer: As I imagine a probably final question before we've run out of time—and there are so many more to be asked—you alluded to the fact that the budget of the office of the commissioner, its scope, is limited. When I read the legislation, I do not see that.

Hon Mr Wildman: Subsection 54(1) says: "Subject to the approval of the Board of Internal Economy, the Environmental Commissioner may employ such employees as the commissioner considers necessary for the efficient operation of his or her office and may determine their remuneration, which shall be comparable to the remuneration for similar positions or classifications in the public service of Ontario, and their terms of employment."

The matter is subject to the approval of the Board of Internal Economy, which is a stipulation which does not apply to the Ombudsman's office, as was questioned earlier.

Mr Offer: With respect, my question wasn't with respect to the Ombudsman's office, but it is, I think, clear that there is no limit at this office, that indeed if the Board of Internal Economy—I'm unaware as to who controls the total number of members, whether it be government or opposition, but if it be government and it says that the staff is now 10 and shall be 50, my guess is it's going to be 50. I'm wondering if, Minister, you can comment as to how that is a limit on this office.

Hon Mr Wildman: I was just commenting in the

comparison to the Ombudsman's office that was made in second reading debate when in fact the first Ombudsman, with great respect, decided on the number of staff, the kinds of staff and so on that he needed and developed a significant number, as I understand it.

The criticism that there might be an additional bureaucracy: If your hypothetical suggestion were to be correct, I guess it is quite true that if you had a spend-thrift government that appointed the majority of members to the Board of Internal Economy that didn't care about the economy, didn't care about the taxpayers, in fact you might see an enormous number. But as you know, the numbers we're talking about at maturity are quite limited. We're talking about a total number of 15 people to carry out the responsibilities.

1730

Initially, during the consultation period, there was a suggestion that we might need about 80 staff members, at significantly greater cost, and it was because of the concern of this government for the taxpayers and the need to ensure we didn't have a bureaucratic process that we've worked to limit it. Our commitment is that at maturity there will be 15 members of staff. It is true that the Board of Internal Economy could increase that number at some point in the future if there's a new government elected that doesn't care about the taxpayers, but I doubt that will ever happen in Ontario.

Mr Offer: My final question: Will you then support an amendment that will in legislative form limit this office to 15 people?

Hon Mr Wildman: I'd have to see the wording.

Mr Offer: In principle?

Hon Mr Wildman: I'd have to see the wording. We're committed to the limit of 15. If there were a significant number of reviews or investigations that the commissioner had to comment on that would require more than that, I'd like to know whether there would be some flexibility. However, I certainly would not want to have the flexibility such that we would have an enormous number of people attached to this office. I'd like to see the wording to determine whether or not we're going to enable the commissioner to carry out his or her responsibilities adequately while at the same time limiting it to 15.

Mr Offer: Will you bring in an amendment?

Hon Mr Wildman: I'd be happy to hear your suggestions.

The Chair: Thank you, Mr Tilson.

Mr Tilson: I guess that at the outset I will again reiterate my concerns about the process this committee is now going through and the tremendous restrictions that are being put on with respect to delegations appearing before this committee. There doesn't seem to be any provision to allow for expert witnesses or to allow for any specific debate or discussion with legislative

counsel on specific items other than perhaps clause-by-clause. Mr Grandmaître has suggested the appearance of Mr Sewell as an example of an expert witness. There does not appear to be any allowance for that.

I guess I would like to again confirm my dismay that we're simply allowing, I think—the motion has changed so often—a day for clause-by-clause and a day and a half for members of the public, which I would say is totally inadequate.

I notice the minister was reading from his presentation. Hopefully, he will make that statement available to members of the committee. Mr Offer and I have both been put at a disadvantage. Normally, we are able to prepare for presentations such as this. I must confess I was not aware—Mr Mammoliti had suggested what he wanted, but I wasn't aware that this committee was going to proceed in the fashion it has today. So I don't have a prepared statement because I simply wasn't informed that we were going to be proceeding in this fashion.

There are a number of concerns, the biggest of which is the last concern, which I'd like to ask a question to the minister on, and that has to do with the issue of costs. You have stated on several occasions, including today, that you estimate the cost would be \$4.5 million. You listed some of the things off: the implementation of the registry system, the training program—I'm just looking at some of my notes here—establishing a number of procedures. There are a number of other things.

The issue of the commission is of major concern to, I think, both the Liberal Party and the Progressive Conservative Party. I shouldn't say it's a joint concern, but it's a mutual concern with respect to section 54.

There are a lot of vague statements. I can't believe you're putting forward a bill you don't want to work. I can't believe that.

Hon Mr Wildman: I don't believe it either.

Mr Tilson: Of course you don't and I'm sure you don't, but the fact is that you have an Environmental Commissioner whom you appoint or who would be appointed, who would come to the Board of Internal Economy and simply say: "I need 50 people to properly administer this program. There are far more complaints than we ever dreamt of. There are far more concerns all around this province. The task force, the Ministry of Environment or whoever estimated the number 15 was incorrect, and we need 50 people."

I'll pick figures out of the air, just with due respect. The number 15 I believe is taken out of the air, perhaps to assure us that it's not going to be a large bureaucracy. I would submit to you that it is going to be the birth of a monster with respect to bureaucracy. You indicated your concern that no government would want to simply willy-nilly spend with respect to bureaucrats,

and I think all three parties would agree with that: None of us would. The problem is that you could have an Environmental Commissioner who's going to come forward and who's going to say, "I need 50 people." There is that issue.

There is the issue of the individual ministries. Somewhere here there's a list of ministries—Agriculture and Food, Transportation, Municipal Affairs etc—that will be preparing statements. I appreciate I'm asking vague questions, but you can pick up where you want to when I stop.

My question, Mr Wildman, really—I appreciate I'm looking at a preamble, but the issue of cost, the number of bureaucrats, the concerns that you've heard during second reading, the uncertainty of the costs, the uncertainty of the cost of section 54, the uncertainty of the costs of the individual ministers in preparing the statements and of dealing with one ministry—there may be complaints about one ministry more than others. If they're going to exercise their discretion, they're going to have to have a staff to deal with all of these things, particularly if they're complicated matters.

So my concern is, of course, we now have a social contract, which I appreciate is a touchy subject with members of the government, where cutbacks are going on. There are complaints about your ministry, with due respect, that you do not have the staff to properly enforce many of the concerns. You may not be prepared to admit that, but that is a fairly common allegation that is being made.

Hon Mr Wildman: Are you suggesting that our ministry should have more staff?

Mr Tilson: I'm simply saying that you're not able to handle dealing with the enforcement of your existing regulations. You may deny that, but I'm simply telling you that's an allegation. The commissioner that you are going to retain at the salary of a deputy commissioner, and at least 15 staff—and I agree with Mr Offer that 15 is a dream; it's going to be considerably more—are going to come to the Ministry of Environment and Energy and tell you something you already know: that you don't have enough people to properly enforce.

In answer to your question, I don't know. I'm simply repeating a concern that has been stated, that particularly at a time when you're into restraint, you don't have the bodies to do these things.

I will stop and simply ask you to elaborate further. I would submit that it's going to take an awful lot more people than 15 for the entire project, whether it be in the individual ministries, the commission, or your own ministry. It will take a heck of a lot more than \$4.5 million to proceed with it, whether it's a registry system, the training program, the commission, salaries, legal proceedings—that's been admitted, and there will be some legal proceedings. But the \$4.5 million is

extremely low.

1740

Hon Mr Wildman: If I could respond to the number of questions raised, first, I think it would be inappropriate for me as a minister to comment on the procedures of an independent committee of the Legislative Assembly. I know the committee members will decide themselves as to what their agenda will be and how they will carry forward with the consideration of this legislation under your competent guidance, Mr Chair.

I would reiterate, though, as a minister who is committed to this legislation, that on behalf of my colleagues from the government side, we are prepared to have this committee sit more hours on Tuesdays or whenever it's convenient for the House leaders for the three parties. It's my understanding that the Liberal House leader suggested to the government House leader that this committee could sit on Tuesdays. I consider that a most responsible recommendation by a long-time, experienced member of the House and one of my well-respected colleagues, the Liberal House leader. I would certainly encourage the government House leader to comply with that recommendation and to move as quickly as possible to ensure that we have additional days. But again, even if the House leaders agree, it's up to the committee, of course, to make its own decision.

The question you raised with regard to section 54: You should look at that as well in the context of section 55 of the bill, of course. It's quite true that in section 55 it says: "The Board of Internal Economy may from time to time issue directives to the Environmental Commissioner with respect to the expenditure of funds and the Environmental Commissioner shall follow the directives."

The bill as drafted does in fact give the responsibility to the Board of Internal Economy, which has representation from all three parties, is chaired by the Speaker of the assembly and is the body that is responsible for the operation of the assembly and for the expenditure of funds. In our view, this commissioner, who reports to the assembly, should indeed be subject to controls with regard to the budget and staffing by the body that is responsible for the operation of the assembly.

If members of the committee believe there's another way of doing it, I'm interested in seeing what proposals they might have for amending the legislation. It is true that if you had a majority of members on the Board of Internal Economy of a government who were prepared to issue directives that the commissioner should increase staff, that could happen. I don't think that it would. I've heard enough comment about the need for restraint and responsible government in terms of expenditures over the years I've been around here to suspect that it would not happen, but it is conceivable it could.

If the committee, in its wisdom, wants to put forward an amendment that would have someone else respon-

sible for controlling the number of staff and the expenditures, I'd be interested in hearing it, but obviously the commissioner has to be responsible to somebody. The commissioner reports to the Speaker and to the Legislative Assembly. In my view, therefore, the commissioner should be responsible in terms of spending and staffing to the Legislative Assembly and to the body that controls the Legislative Assembly operation, which is the Board of Internal Economy.

Mr Tilson: Thank you. That didn't answer my question but—

Hon Mr Wildman: Well, if your question was whether there could be 50 people required and directed that the commissioner could have, I thought I did answer the question. I said hypothetically that, yes, that could happen, but I'm dependent, as are all the taxpayers in this province, on the wisdom and frugality of members of the Board of Internal Economy, unless you want to provide an amendment that would give someone else the responsibility.

Mr Tilson: Minister, I'm simply saying that if you're going to be creating a commission, that commissioner is going to come to the Board of Internal Economy and say, "I cannot operate this process without x number," and I'll use the number 50, a number in excess of 15. "Unless you give me 50 people, it's going to fail."

Hon Mr Wildman: Then it's the responsibility of the Board of Internal Economy to determine whether or not that is a reasonable request and to act for or against that request.

Mr Tilson: I guess what I'm looking for is some sort of reassurance that this isn't going to be a bureaucracy that's going to be out of control. I submit that it has that potential.

I would like to move on to another area. We are going to be limited with respect to clause-by-clause as a result of the motion that was put forward. We are going to have a day for clause-by-clause. There are a number of areas which have been raised in the House and in correspondence to your office already, and I would ask that you inform us today when you can make your amendments available, because the time limitation is very strong on us.

I'm thinking specifically of the concerns of the municipalities on the definition of "instruments," and that's one area I know you'll be looking at; the topic of user fees that's been raised—I'm just listing off some examples; they may or may not be valid concerns—and whether those user fees may preclude people's access to the registry system; the whole issue of the cost of the operation of the registry system that could apply to municipalities, which have been delegated authority from the province, and the fear that in fact it will be more downloading on to the municipalities. Some of the

municipalities have expressed a concern such as that. Those are three areas that just come to mind, without going through my massive notes, which I can recall as concerns, without even hearing members of the public.

My question to you is, because of this motion, this committee is forced to move very quickly. The custom of your government, it seems, is that the amendments that are prepared—we don't see those until maybe the Friday before the Monday of clause-by-clause discussions. Can you make the number of amendments that you are considering available to members of the committee so that we can have them well in advance of the clause-by-clause discussions?

Hon Mr Wildman: We will make every effort to have the amendments ready a week in advance of this November 4 date, and I would ask the members of the opposition who might have amendments to accord us the same courtesy.

Mr Tilson: This isn't something that I'm looking for you to respond to; it's an expression of my dismay at the government of the members of this committee. There's no question we in the opposition, as critics, have raised concerns in the House, many of which have been repeated to us by others who have looked at the bill and in letters that I know you've received.

You have that advantage over us. We haven't heard the delegations, which are going to be restricted to a day and a half. It will be easier for you, because you know what amendments you're considering now, today, I suspect. You may not have the wording for them, but you know the topics. Of course—and I can speak for our party—we'll offer you whatever courtesy we can on this topic, but because of the limitation, it's going to be very difficult.

Hon Mr Wildman: I would just reiterate that, again, it's my view as minister, not a member of this committee, that we will do everything possible to meet on extra days and extra hours if you're as concerned as I think you are about the need to ensure that we have more time for the committee to hear delegations and to consider clause-by-clause. As we've said, I really think that perhaps if you can persuade your House leader to agree with what the Liberal House leader has proposed, we have a way of moving forward.

Mr Tilson: Mr Johnson asked a very innocent question, and you start talking about Tuesdays. Our party did not agree to Tuesday. We don't want to ram this bill through. If you're going to have a bill of rights, let's make sure it's done correctly. Let's not just ram it through and then find out you're going to have all kinds of legal hassles defining what "instrument" means—that's one that is obvious—and other words that we don't even know what they mean.

If we're hurried on this thing, as it appears that we are—for some unearthly reason it's being rushed

through. I know you've got an agenda as to the number of bills that you want to introduce, but it is certainly making the opposition critics very concerned that we can adequately do our job when we're not being given the time to do it.

Mr Johnson asked the innocent question, why not more Thursdays? I'm looking to your leadership as minister. I know you want to put this through as fast as possible so that you can get on to other things, but Mr Johnson asked the very innocent question, why not more Thursdays? Why can't the House leaders go back and say, "Well, all right, in the summertime we"—and I'm listening to this at third hand. There's some discussion whether or not that agreement even occurred. Why do we have to ram this through by Christmas?

1750

Hon Mr Wildman: Mr Chair, again I don't want to comment on the committee's agenda; that's up to the committee. But I would just say that I find it a little confusing, to say the least, to have Mr Tilson talking about ramming this bill through when so many of his colleagues, and I think he himself in second reading, criticized the government for taking so long to bring the bill in.

Mr Tilson: Three years is a little different.

Hon Mr Wildman: Three years is hardly ramming something through. I've never heard that kind of expression used in terms of that length of time.

Mr Tilson: There's no question, Mr Chair, if I could respond to that, that I did make a comment that the government, during its election campaign, boasted about how it was going to bring forward a bill of rights immediately, and that took three years. I did also compliment Mrs Grier on the consultation process which she did and I compliment you because you perhaps have been part of that.

But at the same time, we're now talking literally weeks, not years, for a committee. You're saying, "Well, this thing is going to be finished by November 4." You're not saying that, I hope.

Hon Mr Wildman: No.

Mr Tilson: I didn't mean that.

Hon Mr Wildman: I understand.

Mr Tilson: But the government members of this committee are saying that this matter must be forced through by November 4. Mr Chair, I could go on and on and I think, out of courtesy to the government members, if they have some questions—

The Chair: Thank you, Mr Tilson. Are there some questions from other members?

Mr Wiseman: I have a couple of questions, one on the bill itself. When you look at some of the documentation around sustainability, around what is coming out of both the national and provincial round tables on

economic development, they talk about getting away from this notion of winning and losing within the environmental framework, that to develop a sustainable environment is going to take cooperation, integration, creativity and a whole new process of the way we think. We have to eliminate where it's like, "Subdue the earth," and so on.

What I'm concerned about is, will the process within the Environmental Bill of Rights, as it is currently outlined, be able to build the kind of consensus around environmental change and around making the kinds of changes that are necessary in terms of moving in that direction?

Hon Mr Wildman: I guess that remains to be seen, obviously. Just the process we've gone through, in terms of the consultation and the work of the task force, is an indication that we were able to achieve a consensus on the draft of the legislation involving representatives of many diverse interests: government officials, environmental activists, members of the business community and the industrial sector.

That in itself is an achievement and I think an indication that no matter what our diverse interests, there is a consensus, I believe, in Ontario, perhaps in Canada and North America if not the world, on the need for environmental protection and ensuring that development takes place in an understandable way, that the rules are clear and that those rules are designed to protect the environment.

Whether or not the bill itself will have that effect, we believe it will go a long way in that direction in that it will ensure that with the environmental registry, people will have notification of changes, proposed government regulation or new rules, proposed approvals, private sector developments and so on that relate to those prescribed regulations; that there will be early notification that members of the public will be able to become involved if there's something that is of concern to them as it relates to the environment; that they will be involved early on in the decision-making process to share the information, to be able to have input and to influence the way decisions are made throughout the approvals process, and that will help to develop a consensus.

It's possible, however, that on individual cases those individuals will not be satisfied that their concerns have been properly dealt with or that the ministry has acted properly, in which case then the other sections of the bill will kick in and the individuals will have the opportunity, using the assistance of the commissioner, to request reviews, request investigations, if required, and, in the long run, in those few cases where they believe the environmental damage is being done through violations of regulations, be able to initiate court action for the protection of the environment.

We think this will benefit business and industry in

that they will know very early on what the rules of the government are and what the concerns might be with regard to proposals for development from the other interested parties, and be able to respond to those concerns and to have a dialogue develop so that we don't have the requirements for investigations and court cases. I guess it remains to be seen, but we think this will build on a consensus that is already existing and will help to develop an even greater consensus.

Mr David Johnson: One of my main concerns is how this might affect planning in the province of Ontario, and that was primarily what I spoke to in the Legislature. Perhaps you might clarify that. For example, could this be invoked during or after a rezoning process? If two people objected on the basis that the rezoning, for example, impacted on half a dozen trees or something of that nature, could a review be scheduled on that basis?

Hon Mr Wildman: First, you recognize that the various ministries, the 14 ministries, that are subject to the legislation will have to comply with the legislation subsequent to their statement of environmental values being filed in a phased manner. Each ministry will come into the process over a period of time, with the Ministry of Environment and Energy being the first one, within a year, in compliance.

The Ministry of Municipal Affairs, which is responsible for the Planning Act, will be one of those that is phased in, and the Planning Act will come under the purview of the legislation and have to be in compliance by the year 1998. Again, I think this is evidence that we're not rushing things. But anyway, after that date an individual or a couple of individuals, if they believed that an approval had been made for a subdivision or some development and that approval was not in accordance with the provisions of the Planning Act, could ask for a review.

Mr David Johnson: I'm wondering if you've thought of the implications of that, because at the present time the broad concern in the province of Ontario with the planning system is that it's tremendously time-consuming right from the date of application. I think we all recognize that. That's why Sewell was put in place, and he's brought forward recommendations that many people think will not speed it up. At any rate, that's another topic.

What then could happen, based on your response, is that an application could be made locally. There's a period for review. One of the agencies that would review would be the Ministry of Environment and Energy, your very department, which would have input. I must say that the planning department is very slow and that it's very difficult to get that kind of input, but nevertheless somewhere down the stream it comes. Then there's a public hearing locally. That process is gone through. Then, if there are people objecting—and cer-

tainly in urban areas, and I suspect in rural areas, there are lots of people to object to just about anything—there is a review at the Ontario Municipal Board.

I sense that what you're saying is that either before or after the Ontario Municipal Board two people could ask for a review from the Environmental Commissioner, and the routine for the Environmental Commissioner is that he accepts the objection and takes, what, 10 days or something for him to decide? Then there's a period of time when he sends it off to the appropriate ministry—it could be your ministry—and the ministry has 60 days to consider it.

We're adding possibly how many more months to a process that already takes in some cases more than two years?

Hon Mr Wildman: I just want to make a short comment on that. I take your criticism, by the way, of the Ministry of Environment very seriously. I would point out that we are moving to improve the length of time it takes and that we are down to approximately two months now, where it was much longer before in some cases.

But having said that, the decisions that have been taken under the prescribed act still apply and still have effect while this process kicks in. It doesn't hold them

up. The decisions will apply. It's a review of a decision that has already been taken that would be asked for.

Mr David Johnson: At the Ontario Municipal Board, for example.

Hon Mr Wildman: Yes.

Mr David Johnson: So once the board comes down with its decision, then they could appeal?

The Chair: Thank you, Mr Johnson. Unfortunately, there is no more time for you today.

Mr David Johnson: It hardly scrapes the surface.

Hon Mr Wildman: I was just starting to enjoy myself.

The Chair: I was too. I would note, however, that there are significant procedural problems for the Chair and I would ask that perhaps we could convene a subcommittee meeting, following routine proceedings, Monday at 3:30. The clerk will be in contact to find out if that is acceptable to each of the critics. If not, we will schedule it for the earliest possible moment after that.

I would also tell the committee that I'm a little uncomfortable with the notion, given the lack of consensus on this committee surrounding dates, that a subcommittee proposal be acted upon before it is ratified by the committee as a whole. Thank you.

The committee adjourned at 1802.

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Lessard, Wayne (Windsor-Walkerville ND) for Mr Morrow

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